DAILY MARKET LETTER

8419

MEMBERS:
CHICAGO BOARD OF TRADE
NEW YORK PRODUCE EXCHANGE
NEW YORK COCOA EXCHANGE
NEW YORK COFFEE AND SUGAR EX.
COMMODITY EXCHANGE INC.

UHLMANN GRAIN COMPANY
TELEPHONE HARRISON 6282
141 W. JACKSON BLVD.

MEMBERS:
MINNEAPOLIS CHAMBER OF COMMERCE
WINNIPEG GRAIN EXCHANGE
DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 January 2, 1946

It is a foregone conclusion that the North American Continent will be called upon to supply most of the wheat and flour requirements for Europe during the next six months. It is rather unfortunate that we are not getting the tabulation of weekly shipments the way we used to but we saw a letter recently from Mr. Capt of the Commerce Dept. that the Department would probably only furnish monthly figures for the reason that when data was given more frequently too many errors crept in and it was necessary to make revisions. Even assuming that there were some revisions, it did at least give the trade a fairly good idea of the clearances, and we believe that the information was reasonably accurate owing to the fact that the various ports reported the actual amount of wheat placed afloat. Unfortunately, the monthly statements are rather late in being issued, and for that reason we are not in position to know what the full picture is with respect to clearances since the end of August. Sanford Evans estimates that up to December 21st, about 157 million bu wheat and flour had been exported, but we believe that there is a good deal of guesswork in his computations and he reasons that about 9 million bu is being cleared each week based on figures and estimates of the Department. We are a little better off with respect to the Canadian statistics, and find that in twenty-one weeks they have cleared 175 1/2 million bu, which leaves 231 1/2 million bu still to be shipped in the remaining thirty-one weeks, or for the next carryover.

Coming now to Southern Hemisphere, it is rather difficult to have strong convictions as to what we may expect clearances from Australia and Argentina to be. The latter country has a very grave transport situation. We have called attention to that in earlier letters, but it is so serious now that we think it will become increasingly important, as the inability of the railroads to transport grain from the interior to ports is not likely to show much improvement. The carriers in that country have been criticized from all quarters, but there is really very little that they can do since they cannot obtain new cars and they have been forced to allocate a large number of empties to the job of bringing lumber from the North for the purpose of obtaining fuel for their own locomotives. In some extreme cases factories have been forced to close down because they could not obtain the raw material from the interior to operate their plants. Thus it is not likely that nearly the amount of grain needed will be brought into exporting positions. In Australia the rationing of wheat for stock feed during 1946 will be continued. This was recently announced by the Prime Minister, because of the urgent need overseas for wheat to take care of human consumption. However, the reserve stock was very small, and while the present crop is somewhat larger than last year's, it is still not up to old-time standards. Domestic needs are now placed at 80 million bu, which will leave about 60 million bu for export or carryover. Formerly Australia utilized only about 50 to 60 million bu wheat at home, but last year because of the unusually heavy feeding to animals, it is estimated that approximately 104 million bu was absorbed at home but it is now felt that domestic requirements will average somewhere between normal and the high point without seriously affecting the meat supply.

Primary receipts of wheat amounted to 1,494,000 bu compared with 1,601,000 bu last week and 1,079,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 1,592,000 bu. When the visible supply of wheat was posted, it showed a decrease of 1,810,000, which leaves the total in all positions 87 1/2 million bu compared with nearly 129 million bu a year ago. There was a decrease of 222,000 bu in the rye visible, leaving less than 4 1/2 million bu in the total stocks. Also, it was reported that further export business to Britain had been put through today, so that small as the supplies are they will gradually diminish. However, this had very little influence on the market, as there was general liquidation, and apparently all grains had been overbought, with the result that we had rather sharp reversals, and a somewhat increased volume.

Wheat futures closed 2 1/8 to 2 3/8¢ per bu down, but there was considerable support by mills who apparently were removing hedges.

UHLMANN GRAIN CO.

30 March 1945

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 January 3, 1946

Sentiment after the close yesterday was slightly bearish for the reason that markets had suffered the sharpest decline in several weeks. This was brought about without having any particular news except the possibility that the movement from the country might enlarge owing to the fact that we are now in a new calendar year. Producers have been more influenced by tax considerations than ever before and many commodities have undoubtedly been held back. For example, the flow of livestock to the twelve large centers yesterday showed a tremendous increase, and the number of hogs received was the largest since June, 1944, apparently indicating that there might not be the same retention of supplies as we have witnessed during the past few months. In our opinion the demand for wheat and corn will be fully maintained for a long time to come.

There is a meeting scheduled for next week, at which time representatives of the milling industry, together with Mr. Hutson, Under-Secretary of Agriculture, and others, will try to find ways and means of assuring adequate supplies of wheat for industrial users for the remainder of the crop. Also represented at this conference will be exporters, and undoubtedly the needs from Europe are so great that a good number of complaints have been heard that home industry may not be able to get a sufficient volume of wheat to keep them running in an efficient manner. Of course, with a wheat crop of 1,123 million bu that we had last summer, and a very sizeable carryover, there is every reason to feel that there should be no actual shortage, except that the holding tendency on part of producers and the shortage of freight cars has prevented as much wheat from coming forward from first hands as one would ordinarily expect, based on the existing supply situation. With the farmer now told that there will not be any increase in the ceiling price, it is, of course, possible that they may sell at a more rapid rate. As we have pointed out in previous letters, sometimes declining markets accelerate action by bringing to mind that there is also a chance for lower prices should we finally be faced with a reserve stock next July of about the same size as the previous one, and further provided that the outlook for the next crop is maintained.

The weekly government resume is fairly optimistic in this respect, claiming that small grains were in fairly good to very good condition in most areas, although in the Southern Plains more moisture seems to be wanted, and some deterioration in Texas, Oklahoma, western Kansas, and western Nebraska is claimed due to the lack of adequate moisture. There had been some rains forecast yesterday but these failed to materialize, but it is our belief that it is still very early and that precipitation if it comes during the next month or two will still prove very beneficial.

After our market closed yesterday the Directors of the Board of Trade deliberated for several hours on the question of penalties for defaulted contracts of December wheat, corn, and barley. After considering the matter from all angles a 3¢ penalty was imposed on shorts who failed to fulfill their contracts, and we believe that in practically every instance where processors or merchants were long they would have preferred receiving grain instead of the payment of money, which they will get as defaulted transactions are adjusted. It is still extremely difficult to buy corn and it seems that the longer the market remains at the ceiling, the more urgent the demand becomes, resembling a situation in the FORBIDDEN FRUIT where merchants are always more anxious to obtain something that is scarce. There have been many examples of this during rationing, and sometimes we feel that if ceiling prices were not in force the adjustment of supply to demand might be more easily made. We have seen that as the restrictions on the sale of shoes, meats and tires were removed, the public, while facing some difficulties, was nevertheless able to get its requirements without a great deal of commotion.

Primary receipts of wheat of 766,000 bu were smaller than last week but slightly more than last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 220,000 bu.

Trade in all pits was light but with less pressure to sell and the Directors' action penalizing shorts who had defaulted on December contracts, there was a slightly better undertone, with the result that wheat quotations were fractionally higher. The same was true with respect to oats and the cash market was back to the ceiling but with no mark-ups. The buying of May rye brought firmness to that cereal and also led to a higher closing of the deferred futures.

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CHICAGO, 4

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CHICAGO MERCANTILE EX.

January 4, 1946

There was a little moisture in the Southwest during the past twenty-four hours, but nothing of great importance, although the forecast is for light rains in Kansas, Missouri, and Oklahoma. The State reports which come to us read rather optimistically in tone. For example wheat in Kansas was well covered with a heavy blanket of snow over most of the State and thawing weather occurred near the close of the week. It is claimed that this should relieve the very dry topsoil condition and help to maintain wheat which was deteriorating rapidly in many areas before the snows were received. From Oklahoma the reports are not as good, and it seems that the moisture that fell during the week was generally insufficient to improve the condition of fall-sown grains. Moreover, it was indicated that subzero temperatures had injured part of the crop. It is, therefore, likely that the abandonment will be heavier than last year, at which time it had been down to almost an unprecedented low. On basis of figures that we have received from Sanford Evans, the clearances of United States wheat and flour were 166 million bu from 1st of July to 1st of January. We are of the opinion, however, that he is not in position to get an accurate statement of clearances, and has simply fitted his figures to the probable program that has been outlined by CCC and other governmental agencies. Consequently, it may be some time yet before we can determine what the true picture is.

However, it is likely that with European requirements so heavy any quantities of grain that we get to the seaboard will flow readily into exporting channels. For the time being this factor cannot be ignored, and it is largely responsible for the firmness which exists in our markets. For the longer period ahead, we are impressed by Broomhall's statement on wheat that there will, of course, come a time "when importers will look around for cheaper sources of supply. No country will want to increase its foreign indebtedness by paying $2 a bu indefinitely. It would be far cheaper to grow the wheat at home." Our government in establishing a goal of 68 million acres for wheat is obviously of the opinion that the requirements both at home and abroad will be fully maintained for at least another year. Undoubtedly, this assumption is warranted, particularly until European affairs become more settled. It took many seasons following World War I before acreages were fully restored, although at that time there was not the mechanical machinery to properly plow and till the soil, but even assuming that we were able to furnish tractors and fertilizers to Europe, there are other reasons for expecting somewhat sub-normal crops this coming summer. In some of the Far Eastern countries the drought still persists, and according to Broomhall, Russia, the Balkan countries, Poland, or even North Africa may not come through with normal yields. Therefore, their contribution to importers' needs may be rather disappointing. Of probably greater immediate concern are the small quantities that will be shipped from Argentina and Australia, and this in turn imposes greater demands upon the North American Continent.

Primary receipts of wheat amounted to 726,000 bu compared with the exact same quantity last year and 456,000 bu last week. Kansas City and Minneapolis stocks so far this week show a total decrease of 418,000 bu.

There was a little easier feeling all around, even in rye, but it seems that the May future of this cereal is stimulated from time to time by talk of export business and the possibility that year-end stocks will be small.

However, in oats, with the large visible, even the fact that the spot market is strong is not having too much influence, and in fact, with some profit-taking today moderate declines occurred.

There is really no feature to wheat. Trade was extremely dull and we note that only about 3 million bu was traded yesterday and probably about the same quantity in today's session. However, the close was lower on moderate selling.

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CHICAGO, 4 January 7, 1946

There has been little mention of the recent moisture in the Argentine during the past week or two, but nevertheless rains fell over a large area, and as a result conditions for corn are fairly good except in the Northern areas where it was too light or where none fell at all. However, the wheat harvest is well advanced, and weather is no longer a factor. It is now estimated that the exportable surplus is about 80 million bu, but as we have mentioned on past occasions, it will depend to some extent on the quantities of grain needed for fuel at home. Australia with a total supply of 141 million bu will have about 60 million bu for export and carryover, and while this is not a particularly large quantity it compares with actual shipments last year of only 18 million bu, of 90 million bu in 1943, 37 million bu in 1942, and 45 million bu in 1941. Nevertheless, with Southern Hemisphere not offering on a heavy scale, it still leaves North America with heavy obligations, and while the government has authorized large quantities of wheat for shipment during February, there is still some doubt as to whether the country will sell sufficient quantities to meet the requirements.

The Department of Agriculture authorized 14.5 million bu wheat for export next month compared with 10.7 million bu in January. From what we learn there are still very heavy stocks of wheat back in the country. These farm reserve figures will not be issued for some time yet, and while it is possible that there has been more than the usual amount of wheat fed, still with a record crop there must be plenty left. The trick, of course, is to get it from first hands. So long as the government talks of the tightness and claims that all of its holdings are needed for European relief, it naturally restrains farmers from selling as much as otherwise would be the case. It reminds us very much of a well that contains plenty of water but where the pump needs some priming. Men who are desperate and have only a bucket of water sometimes hesitate to pour even a small quantity into the pump in order to get it running. However, priming it in this fashion often brings the proper results, and finally the water flows freely. We believe that in much the same manner if the CCC would sell 10 to 15 million bu of their wheat to the mills who are urgently needing supplies for domestic uses and for export, the result would be somewhat similar. Wheat might then flow much more rapidly to terminal markets, particularly since there is no incentive to hold, and it has been repeatedly stated that there would be no increase in ceiling levels. Producers are more inclined to sell when there is a fluid movement and when it is not advertised from one end of the country to the other that the demand is ten times as great as the supply. We all know that there will be an ample reserve next July and that even with heavy exports, there is no shortage of grain except by virtue of a holding tendency and a shortage of railroad equipment.

Primary receipts of wheat were 1,354,000 bu compared with 1,208,000 bu last week and a million bu last year. When the visible supply was posted, it showed decreases for all grains. It is quite usual to expect this in wheat and in oats, but ordinarily during January we are accumulating corn, and this year the movement is rather disappointing. Some mention was made of the fact that the oat visible showed a decrease of 704,000 bu, although total stocks are still 41 million bu against only 12 3/4 million bu last year. In wheat the shrinkage was quite heavy, nearly 5 million bu, bringing total supplies to 82 1/2 million bu compared with 127 3/4 million bu last year. The rye decrease was rather nominal, but yet the Chicago stock is reduced to about 2 million bu, which is not a great deal considering the big open interest.

Trade in rye today was erratic but there was selling on bulges, with the result that best prices were not maintained. There seems to be very little pressure on the wheat market, and nobody is much interested in selling July and September futures short in view of the strengt in cash wheat and the reports of tremendous European demand. Fluctuations were limited, and we do not see much trend indicated for the immediate future.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 January 8, 1946.

With the wheat harvest general in both Argentina and Australia, one would naturally look toward the period ahead when maximum shipments from those countries would take place. Likewise on January 10th we would be entering a calendar period when ordinarily a bear market could be expected. There are two reasons for this: one, the heavier shipments from Southern Hemisphere, which would mean a smaller demand for North American grain; and secondly, a lull in the milling industry at home owing to the fact that many plants close down for inventory. For other reasons there often seems to be a slack interest after six months of fairly good business. However, we do not expect that either of these factors will come to the foreground, and as far as the mills are concerned, the only reason for even a pause seems to be that they are already grinding full capacity on previous orders, or in some cases there may be difficulties in getting supplies owing to tightness of cash wheat and lack of transportation facilities. There is still a possibility that the Argentine crop will be larger than the preliminary estimate of 165.7 million bu, and in fact, private interests in that country are looking for better yields. This in spite of the fact that there were drought conditions in the western sections, and this served to provide extremely variable results, ranging all the way from 3 to 24 bu per acre. A crop of that description is rather difficult to estimate. Therefore, we shall have to be somewhat patient.

There is also some uncertainty as to what the estimated world requirements may be, although Broomhall uses a figure of 750 to 800 million bu, which would certainly be the heaviest in the last ten or fifteen years. Of this quantity Canada and the United States should be in position to provide about 650 million bu in about equal amounts, much depending on transportation. We were given the figures this morning for November shipments with wheat and flour totaling nearly 30 million bu, and we believe that December will be just as large, but there is some doubt whether clearances during January and February will come up to that figure, at least this is our belief based on recent reports that we have been getting. Even though the war is over, we are not receiving complete reports from Europe on crop developments. However, it does not appear as though agriculture would recover in one or two years. First of all, there has been some deterioration in seed, and moreover, fertilizers are not available in sufficient quantity so that reports coming in from the Continent reveal that the condition at this time of year is somewhat variable. There are areas, particularly in France where rain is urgently needed. In many instances fall seeded acreages have been materially reduced, and it will, therefore, be necessary to make this up by extensive spring plantings in order to meet 1946 acreage goals. We believe that Russia is in fairly good shape, and, indeed, there are other sections of Europe that have been benefited by timely rains, and crops have entered their winter in good condition. In Britain, wheat plantings have been somewhat disappointing, and a reduction in the wheat acreage bonus for 1946 may have been a factor; but in any case there is some doubt whether the desired goal will be met.

Primary receipts of wheat amounted to 1,494,000 bu; there was a holiday last week; a year ago they were only 729,000 bu. Kansas City and Minneapolis stocks so far this week show a total decrease of 329,000 bu.

Markets were somewhat indifferent at the start, but as the session progressed there was considerable buying of oats by a northwest elevator concern. T his was followed by general commission house buying, and the close was quite strong. Rye, after early weakness, advanced sharply, influenced by similar gains at Winnipeg. Wheat could not ignore the strength in other pits, but in the absence of grain news there was also the stock market, which displayed the greatest strength in some time. Many people figure that the settlement of strikes is nearer at hand, and this gave speculative markets considerable impetus, with the result that closing levels were all on a higher plane.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 January 9, 1945.

The carryover feeling in grain was somewhat bullish, and the fact that stocks had risen so sharply yesterday gave rise to further inflation fears, with comment from Washington that steel prices would be increased even more than had been recommended by OPA, in the event that industry and labor could amicably settle present disputes. It was also indicated that an 18¢ boost in butter prices would be granted between now and next May, and this had the approval of Mr. Anderson, Secretary of Agriculture. In the latter it should be noted, however, that part of the advance, in fact two-thirds of it, would become necessary if the present $525 million dairy production subsidy is ended. Everybody knew from the start that the public could not forever bear these costs and that it was unfair to ask taxpayers to assume a burden which rightfully belonged to the consumer. As a matter of fact, there might have been a somewhat curtailed consumption had the housewife been fully cognizant that butter was actually fetching such high prices. Furthermore, there were distortions, and we are told that it was more profitable for farmers to sell milk, cream, and cheese than to manufacture butter under existing restrictions. On the whole, subsidies of any kind are uneconomic, although there may be psychological justification for them during a crisis. When they were first proposed for the wheat and flour industries, the CCC did its utmost to avoid them, apparently recognizing the secondary consequences. It was they who suggested to the baking trade that wrappers be removed from bread; also they felt that by eliminating bread-slicing and curtailing delivery services, baker costs could be kept down sufficiently so that prices of bread would not be raised to the consumers. These matters, however, were impractical and the public protested. They had also hoped that it would not become necessary to have the subsidy, probably knowing that while they do fool people for a time, they cannot become a constant institution. The chances are that the flour subsidy will not be extended beyond June 30th unless, of course, more money is appropriated from the taxpayers' pockets.

However, for the good of all, we believe that it is better to call a halt. First of all, if it were eliminated at this time it would amount to about only 1/2¢ a pound loaf of bread. Experts have computed that at the maximum this would mean only about $1.80 per year per person. The bread-bakers have been patriotic and have sold their bread all during the war at cost. Whatever profits they made came from cakes and other sweets. In view of this situation we believe that no great harm would be done if bread were permitted to rise 1¢ per loaf. In any case it is very important for many reasons that an announcement should be forthcoming right now. Those who are in business have to gauge their operations somewhat in advance, and we all know that value is a matter of opinion and that prices can stay high only as long as there is a legitimate demand. An Act of Congress has little jurisdiction over thethoughts of men, but eliminating subsidies at least directs one's attention to actual costs and proper price relationships, thus removing any subterfuge.

Primary receipts of wheat were light, and amounted to only 710,000 bu compared with about twice that quantity last week and 538,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 588,000 bu.

Trade in wheat was rather tame, and despite some indifference at the start, markets held rather firmly owing to the great strength in securities and further inflationary talk. The close, however, was just frationally higher. Most of the trade was in oats and in rye. A leading industry was a heavy buyer of May oats, which gave the market impetus, and it was also reported that Canadian permits had been granted for the exportation of about 5 million bu from that country. In rye there is a bullish sentiment. For the first two days of the week about 78 cars were loaded from private elevators, and it is assumed that there is a movement to the seaboard to fill export sales. In any event Chicago stocks are being reduced to very small proportions.

UHLMANN GRAIN CO.

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CHICAGO, 4 January 10, 1946.

January 10th is ordinarily the calendar period for expecting lower prices, but as we have stated on several occasions, without any appreciable pressure from the Argentine or from Australia, it is hardly likely that we can expect much weakness. This past week Argentine wheat shipments were slightly over one million bu, including 404,000 bu to the United Kingdom, 88,000 bu to the Continent, and the balance ot others. Therefore, the amount going overseas is relatively small, and with only 3.3 million bu in the ports, it is not likely that we shall see heavy clearances, particularly with rail transport difficulties. Recently Rumania has agreed to exchange oil for Argentine wheat, and undoubtedly there will be some business from Southern Hemisphere, but probably a rather disappointing quantity in comparison with past performance. Word comes from Britain that while the wheat acreage goal was somewhat larger than last year, a great deal must be sown in the s pring if this is to be accomplished. The Minister of Agriculture feels that food resources of the world are going to be taxed to the utmost to meet world needs, both this winter and next, and that, therefore, the maintenance of wheat supplies is vital.

For this reason we are extremely pleased to get optimistic weather reports from the Southwest and to note the possibility of moisture in the Texas Panhandle. It is quite likely that recent precipitation in central and eastern portions of Kansas and Oklahoma has benefited the crop, although it is still dry in the West. We also read in the Nebraska weekly resume that winter wheat in the eastern two-thirds of the State is much better since receiving moisture, and that there has been little or no runoff even though the snow has melted. In the western third of that State precipitation was lighter but about ample to pack the surface soil slightly.

Based on the preliminary estimate our total winter wheat crop might yield 750 million bu, but probably of more immediate concern will be the government report issued after the close today, giving not only farm reserves but also indicating the disappearance during the past quarter. We know that exports have been heavy. Whether they are actually up to the figure of 175 million bu for twenty-seven weeks, as scheduled, is difficult to say, as we do not have the complete data yet. A meeting now being held between the CCC and the trade is intended to expedite shipments of wheat and flour from terminal points to export positions, and to explore the wheat supply in its various phases. Our opinion is that instead of merely draining large elevators of their grain, empties should be furnished to country points in order to get the wheat from first hands. It is likely, however, that feeding of wheat on farms has been heavier than normal,although we expect a reduction from two seasons ago when it was at the peak.

There is still considerable controversy between OPA and several of the other departments on the question of subsidies and permissible price advances, although it is our own belief that as the late President Roosevelt said, "All that we have to fear is fear itself." Many people are still concerned over a dire catastrophe if wartime controls are abandoned, but theyware also fearing erroneously that by this time we would have 10 million unemployed. Therefore, it might be better to face realities, give up the subsidies, and let the housewife determine her demand on a price which reflects true worth.

Primary receipts of wheat were 923,000 bu compared with 766,000 bu last week, and 697,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 839,000 bu.

Our market started off on a very firm basis. Rye was as much as 3¢ per bu higher for the May future, but there was profit-taking; in fact, one of the leading longs seemed to have liquidating orders all during the session with the result that we had more than a 4¢ reaction during the day, although markets on the whole were not weak, and even the selling in oats was well absorbed. Trade was not too heavy in wheat; there was no particular trend, although some selling of the deferred months was predicated on good crop prospects and high prices, although cash wheat seems to be as tight as ever.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 January 11, 1946

After World War I we had prohibition in this country, and apparently the people who framed this law had the best of intentions, but, nevertheless, it led to bootlegging, crime, and dishonesty; because like any statutory law which the people do not believe in, it could not be enforced. In Massachusetts, it is still lawful to cut off a man's right arm for stealing, but to our knowlwdge violators have never been so punished. In the wake of World War II, we have black markets as the result of restrictions, such as we have never witnessed in our business experience. Apparently the same disregard for regulations has sprung up as during prohibition, and on such a wide scale under a system of bartering and "currency transactions" that we do not believe any law-enforcing body can ever bring violators to trial. Apparently any good that may be accomplished through price control is more than offset by this frightful situation, which apparently has extended to every part of the country. This is not surprising as we had a similar experience in France, and when people get desperate for supplies and for food, they apparently go to any means in an effort to keep from starving. The black markets which flourished in Paris during the war have been somewhat corrected through devaluation of their currency, but we understand that they have not yet been completely eliminated.

When feeders in this country need grain for their animals, they are apparently determined to get it in one way or another, and the farm reserve statement which was issued late yesterday would indicate that a good deal of grain has moved through other than commercial channels. With respect to corn, we apparently raised 2,698 million bu, which could be classed as grain, or in other words, as merchantable, and as of January 1st, there was 71.6% remaining on farms, or 1,931 million bu. We thus conclude that the disappearance during the past three months was about 107 million bu more than last year. The oat disappearance for the quarter was about 103 million bu heavier. In addition to this, there must have been a great deal of wheat fed, and the January 1st farm reserve of wheat was 368 million bu compared with 391 million bu last year. This is also rather bullish in view of the fact that the crop was larger; in fact, we raised the largest quantity in the history of the country.

When our markets opened this morning prices were somewhat higher, but yet there is not a great amount of enthusiasm owing to the fact that with ceilings there is little incentive for taking risks with so little to be gained on the upside. Furthermore, there was precipitation in the Texas Panhandle and in southeastern Oklahoma, with the possibility of further moisture in other sections of the Southwest tonight or tomorrow. Thus the situation is optimistic for next summer's crop, although we do feel that on basis of the farm reserves and a smaller commercial visible, we shall very likely have to revise the carryover figure for next July, unless there should be a drastic shrinkage in our export program. At the present time offerings are light, but we have the further knowledge that the movement from the country is not alone determined by lack of cars and indisposition to sell, but rather because of the smaller quantity of grain that is left back in the country.

Primary receipts of wheat were 801,000 bu compared with 726,000 bu last week and 638,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 1,066,000 bu.

Markets were only reasonably active, probably the total volume compared favorably with the 15 million bu traded yesterday in all pits. There is still no volume in wheat and we doubt whether there can be any expansion so long as the May delivery is frozen at the ceiling. Profit-taking at times caused reactions to slightly under the previous close but on the other hand values held firmly, with the stock market again indicating inflationary tendencies.

Rye was subjected to further profit-taking but these offerings were well absorbed, and May rye finally closed higher than last night, with indications that there is some cash rye being ordered out of Chicago right along.

Oats were a little weaker at times but rallied on the general firmness in other pits.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 January 14, 1946.

To demonstrate the wonderful performance of farmers in this country, we quote from the recent edition of the National Food Situation, which is published by the Bureau of Agricultural Economics. In it they say that the increase in the volume of food production during the six-year period from 1939 to 1945 was nearly as large as the increase for the thirty years from 1909 to 1939. In other words, wartime increases were intensified, but, of course, farmers have been aided not only by favorable weather conditions over most of the country, but also by better seed, improved technology, wider uses of fertilizers, hybrid varieties, and other factors which have contributed largely to the progress. However, it is particularly significant when we consider the farm labor situation, as the employment on farms January 1st was the lowest in the twenty-one years of record, and the number of both family and hired workers was down from a year ago, family workers showing a decrease of 2% and hired workers a decline of 8%. Nevertheless, those following agricultural pursuits were in the main able to get some machinery, at least spare parts, in order that older models could be kept in use. It was, of course, fortunate that all this took place because the civilian food supplies will be at a near-record level during the next few months, despite substantial exports, and, of course, the total supplies on hand are much larger than in the pre-war years. Many foods are expected to meet full demand, and in fact, we may have some commodities in more plentiful supply than before the war, despite the offset of deficient products, such as sugar, fats, canned fish, apples, and bananas.

In view of all this it is naturally surprising that the movement of grain to markets is inadequate to take care of present requirements, but apparently some of the artificial controls are having a lot to do with the situation, and each day when we pick up various periodicals, we find some mention made of the desperate attempts of regular industries to get their supplies. This is no doubt due to the diversion from normal marketing channels of articles such as corn and wheat, and processors which use corn as a primary raw material are finding themselves confronted by an unprecedented shortage. These black market operations are, of course, encouraged by the plight in which such industries find themselves, and we have been told that in many instances truckers are paying as much as 15¢ per bu over the farmers' ceiling when picking wheat up right from the farm. As a result the grain trade is being terribly handicapped, and those who adhere strictly to the letter of the law find themselves more or less helpless in these circumstances. This has necessitated bartering, and as one authority expressed it, "I know of a large milling company which traded two cars of bran for a car of soybean meal, which in turn was traded for five cars of corn, which were trades for 20,000 bu of wheat." This certainly is very upsetting to those who are trying to conduct their affairs on basis of normal business practices.

The visible supply was late in being posted, but a large decrease for wheat is indicated. Chicago stocks are down to 1 1/4 million bu, local rye stocks decreased only 35,000 bu, in spite of the fact that 100 cars of rye were loaded from here, or the equivalent of about 150,000 bu. The primary run of wheat is fairly good, amounting to 1,817,000 bu compared with 1,354,000 bu last week, and 924,000 bu last year.

The Searle Grain Co., Ltd., of Canada, made the following comment, which we found of great interest: "Normal fall moisture is usually followed by an average yield to the acre, whereas less than normal fall moisture is usually followed by a less than average yield to the acre. Of the past 45 years, 29 years had better than average moisture during the fall. In 22 of these 29 years a better than average yield to the acre was produced. Altogether, then, the chances are in favor of an average yield for this next year, or around 17 bushels to the acre, assuming, of course, that average rains fall during the growing season."

Markets were rather firm, although at times oats acted a bit tired, and there does not seem to be the same bullish sentiment as we noted heretofore.

Rye prices advanced nearly 5¢ for the May delivery, but on intermittent profit-taking by longs best prices were not maintained. Still the close was considerably higher.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 January 15, 1946.

The exports of wheat and flour have been officially given for four of the six months of the crop season, and we tabulate them below:

July	-	11;203;000 bu
August	-	15;000;000
September	-	25,500;000
November	-	29;935;000
		81,638,000

It will be seen from the above that the clearances for October and December are still missing, but in our own minds we had figured that if maximum shipments have taken place during each of the missing months of, say, 30 million bu, we could add a total of 60 million bu to the above figures, which would mean about 141 million bu exported during the first half of the season. This apparently does not gibe with the statistics which the Bureau of Agricultural Economics has on hand, for in a publication just released two or three days ago, they make this statement: "According to present indications, total wheat and flour exports from July 1st to the end of December will amount to about 175 million bu." We are at a loss to understand whether this 175 million bu represented the goal that had been set for the period from July 1, 1945 to December 31, 1945, or whether the exports during December had been so stepped up that the larger figure had been reached. Time alone will tell. The Department also figures that if transportation and procurement problems are met, it may be possible to export the equivalent of an additional 225 million bu before the next harvest; in fact, this is practically a direct quote from that source, in which they claim that European demand is very great and that most of the export wheat is being sent to Europe but that in addition to this UNRRA will procure substantial quantities for China. Minimum Japanese requirements are even being discussed. They say that the United States has enough wheat to meet domestic food and feed needs in full, and to export the equivalent of 225 million bu in the January-June period and still have a carryover next July of perhaps 175 million bu, which would be somewhat below the 235 million bu average for 1932-41.

If there is any basis for the a bove, it would mean that total shipments for the year would be about 400 million bu, and it would also mean that clearances for the latter half of the year would be considerably more than even the higher figure mentioned for the first six months. In normal times we ship about 70% of our export wheat during the first half of the year, and once the grain goes to interior points, it becomes both uneconomic and a transportation difficulty to send wheat into exporting positions. However, we are fully mindful of our humanitarian obligations to Europe, and therefore, we cannot quarrel with the issues involved, except to point out the physical difficulties in carrying out such a program.

There is also some interesting comment on rye, and while the 1945 crop was comparatively small, the Department figures that it should be large enough to supply all food needs, also some quantities for distilled spirits, and restricted exports. In this morning's gossip fromWashington, mention is made of permits, and apparently none have been authorized thus far for shipments during the month of February. In fact, only two cargoes of rye have been authorized for purchase since the first of the year. Both of these are destined to Norway and total about 16,000 tons, or about 600,000 bu. One cargo has already been lifted, and we presume that the other one will be loaded shortly.

Primary receipts of wheat were 1,142,000 bu compared with 1,494,000 bu last week, and only 702,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 254,000 bu. After the close yesterday the visible supply was posted, and the most important changes were in wheat and oats, the latter decreasing 5 3/4 million bu, while oats went down more than 2 million bu. However, the country offerings of oats in the Northwest are heavy and they should be, as farm reserves are about twice as large as the ten-year average.

Wheat prices were moderately firm, but there was hardly any volume of business. Oats were quite indifferent. Rye was intermittently strong and weak but seemed to recover very well after selling abated, but, of course, most of the trade is in the May delivery as many of the deferred months are frozen at the ceiling.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 January 16, 1946.

With all our vast resources, it is to be noted that in the five years prior to the war about 97% of our food supply was domestically consumed, and only about 3% was exported. In contrast to this, during 1944 and 1945 about 13% went to the armed forces and 7% to export. From the beginning of 1945 until the end of the war, the armed forces were taking almost one-fifth of the total food supplies, and at the same time other government purchases were still large. Of course, peace has brought some changes already, and military cutbacks have changed the food-supply picture, permitting immediate increases for civilian output, but still it is surprising that we have been able to accomplish so much in so short a period. For example, civilian meat supplies per capita in the next few months will be materially larger than in the same period last year, and in many other fields the outlook is likewise much brighter. Only the supply of margarine, apples, and sugar will be shorter. Moreover, there are a larger number of people now eating out of civilian supplies, and yet there will be more fish, poultry, evaporated milk, bananas, canned fruits, vegetables, and potatoes for consumption than a year ago. On the other hand we have a very tight situation with respect to corn and to wheat, but unquestionably a good deal of grain is going into black markets, and probably more is being fed than we are conscious of since so much is going through other than natural trade channels.

The Secretary of Agriculture is fully posted on our food situation and has asked for acreage goals next summer about equivalent to those that we had last season. On this basis, it is likely that the total acreage of winter and spring wheat will be closed to 69 million acres, although, of course, there is little likelihood that the yield per seeded acre will be repeated, as in 1945 it amounted to 16.7 bu per acre, and established a near record, having been exceeded only in 1942 when it amounted to 18.7 bu. Nevertheless, it is almost too much to expect that both winter and spring wheat crops will turn out so well, and while not too much can be said yet about the Northwest, we still have a fairly optimistic prospect for winter wheat, with the possibility of 750 million bu being raised according to the December outlook, and it is doubtful whether there has been much deterioration since that time. The 1946 acreage goal for harvested rye is 2,572,000 acres, which would compare with a seeded area of 3,721,000 acres. Whether this can be accomplished in view of ceilings is rather difficult to say. Last year, for example, the seeded area was 4,476,000 acres while only 1,981,000 acres were harvested, and we had a crop of 26,354,000 bu, with the yield amounting to 13.3 bu. Of course, there is no law by which farmers have to operate, and by this we mean that a larger percentage may be left standing instead of cutting about half the crop for feed, as has been done so often in the past. Just as an illustration, during the ten years (1934-43), about 50% of the seeded rye was harvested, and the balance plowed under. So it is rather difficult to make forecasts at this time as to what the situation will be next summer, although we do know that the seedings were much lighter than in former years. In fact, the present seeded acreage is only 59% of the ten-year average.

Primary receipts of wheat were lower, amounting to 743,000 bu compared with 710,000 bu last week, and 484,000 bu last year. Kansas City and Minneapolis so far this week show a total decrease of 453,000 bu.

Markets were mostly firm; wheat and oats took their cue from rye, and the latter cereal went into new high ground, with the May delivery selling at $1.91 1/2 per bu. It was reported that theexporters who sold rye to Britain have not yet been able to obtain permits but apparently this had little market effect, and the undertone was strong. There seems to be some hesitancy in oats from time to time owing to the fact that farm reserves are large, and nobody can be sure how heavy the substitution of this cereal will be in the feed line owing to scarcity of other articles.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Jan. 17, 1946

It has been indicated in milling circles that government officials may reach a definite decision on the flour subsidy termination policy within another few days. The entire proposition of subsidies and ceiling prices, particularly as regards agricultural products, seems to be headed for a complete airing and showdown, with the Secretary of Agriculture believing that subsidies should be discontinued, while on the other hand, the OPA officials feel that it may be necessary to continue same in order to prevent the piercing of ceiling prices. It has long been a mystery to us why so much stress has been laid upon the price of bread, which is not a major item in the total cost of food of any family. The present industrial strife seems to point to some upward price revisions. If steel prices are advanced, its effect would be felt in the price of many other articles, of which steel is a component part. If we are to witness an advance in prices, it seems inconsistent to believe that bread prices should be kept at the 1939 level. With the swollen amount of money in savings banks and pent-up purchasing power in this country, it seems rather incongruous to believe that we cannot pay for the food which we consume today but hope to pay for same at some future date. Under subsidies the federal government obligates itself to pay at least a part of the grocery bill of all the people of the nation without regard to a person's ability to pay his own grocery bill.

In our opinion, in the final analysis subsidies are inflationary, and every dollar used for such purposes means payments by the government and the printing of government bonds, as is the present method of deficit financing. We agree with the Secretary of Agriculture that if we do not eliminate subsidies at a time when the purchasing power of the people is at a high level, it will be very difficult, indeed, to get rid of same when purchasing power has been decreased. As one member of the House of Representatives expressed himself, when the matter of subsidies and extension of the Commodity Credit Corporation was being discussed in 1943, "Subsidies for foods are a political juggernaut, but once started it never turns back. The paying of subsidies for all food prices would add billions of dollars of taxes to our national debt. The administrative costs would be tremendous and would add thousands to the government payrolls." We feel that this statement still holds true. As far as ceiling prices and subsidies are concerned in grains and their products, it is very unfortunate but they have led to the development of black markets and trade practices that would have been frowned upon some years ago. Unfortunately conditions are arising that are reminiscent of the prohibition era. Supplies are being channeled away from legitimate sources of distribution. The moral fibre of our people is being weakened, and unless corrective methods are used to change the conditions which foment these unfortunate developments, the situation will steadily worsen with ultimately rather disastrous effects.

Primary receipts of wheat totaled 1,105,000 bu as compared to 923,000 bu a week ago, and 684,000 bu on comparable day of last year. So far this week stocks at Kansas City and Minneapolis have decreased 761,000 bu.

There was no precipitation overnight throughout the grain belt; in the Southwest temperatures are rather mild for this season of the year. There was no particular news to affect the wheat market. The cash situation remains tight, and mills are finding difficulty in meeting their requirements. The volume of trading in wheat futures is extremely light, with only 975,000 bu traded in during yesterday's session.

Rye again led the procession, with higher prices, although best prices were not maintained. Very little can be said regarding this cereal at the moment.

There seems to be a little more two-sided feeling in oats. In today's session commission houses seemed to have oats to offer, but industries were thought to be large buyers of the cash, which led to the lifting of hedges against the transactions. In some quarters, it is felt that the present packer strike is temporarily somewhat bullish on feeds, but on the other hand purchases from the country in the Northwest for deferred shipments are running heavy, and totaled 485,000 bu, and over 400,000 bu booked to arrive for Chicago.

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CHICAGO MERCANTILE EX.

January 18, 1946

The main overnight item of interest to traders was not any direct grain news, but rather the announcement of the Federal Reserve that starting Monday, January 21st, all trading in stocks must be on a cash basis. The implication of such a move is that efforts are being made to stop the inflationary forces which are now in motion. We have seen in the past where the raising of margins either in grains or stocks has not stopped advancing markets if conditions warrant higher prices. News has just been received that the U. S. Steel Corporation has rejected the President's compromise proposal. While the outcome of this strike is still in doubt, in its final analysis whatever advance is granted to the workers probably will be to some extent, offset by advances in the price of steel, and similar increases in ceiling prices seem to be indicated for other industries in order to meet present demands of labor. The present concept of parity is presumably a balanced price of things which the farmer must purchase against prices he obtains for his products. If the price of those items which the producer must purchase are increased, it would almost appear elementary that this will finally be reflected in higher parity prices for the 1946 crops.

While the government has not issued official figures showing interior mill and elevator stocks of wheat, the Department of Agriculture has indicated that total stocks on hand January 1, 1946, amounted to approximately 750 million bu. On January 1, 1945, total stocks were 834 million bu. The carryover on June 30th amounted to 281 million bu, showing a disappearance for the final six-month period of the last crop of 553 million bu. The present estimate of stocks on hand at the turn of the year was 84 million less than a year ago. Government officials are talking of exports of 225 million bu for the final six-month period of this crop-year. We have no official figures for last year but estimating that they might have run 75 million, it would indicate 150 million additional for export. If these goals are reached, (and we have some doubts on this subject) and with 84 million less on hand on January 1st than a year ago, it would indicate a very sharp decrease in the carryover on July 1st; in fact, would bring this down to rather small proportions.

While there are no official figures given for exports for this country to date, Sanford Evans estimates them at 161 million as of the week ended January 11th. However, he has used a figure of 8 million bu a month since December 7th, which has not been officially confirmed. However, in export circles it is felt that the January quota for export will be reasonably well met, but in doing so it will clean up most of the wheat that is in position on the Atlantic Coast. Whether railroad facilities will be available after January to continue these shipments is a rather doubtful question. Due to strikes and slowing-down, industry has not been demanding the usual number of freight cars; thereby permitting additional shipping facilities in the grain belt. Should pending strikes be settled with a pick-up in production, some shipping facilities may have to be diverted for industrial uses.

Primary receipts of wheat today totaled 937,000 bu compared with 801,000 bu last week, and 554,000 bu last year. So far this week stocks at Kansas City and Minneapolis show a net decrease of 1,030,000 bu. When the visible supply figures are posted on Monday they will compare with a decrease last year of 3,838,000 bu.

Figures just released by the Commodity Credit Corporation show a total of 55,564,226 bu of wheat impounded from the 1945 crop as of December 31, 1945, of which 12 million bu has been redeemed. There is always some lag in compilation of these figures, but with the limited amount of wheat put under the loan this year, there probably will be very little final adjustment. On the whole winter wheat crop prospects have improved, although the western third shared less in the recent precipitation.

Flour demand is of a broad character, but mills are limited by the amount of wheat which they can purchase. While trading in wheat futures remain at low levels, the market was strong, with July wheat selling very close to the ceiling.

Early advances in rye ran into stop-loss orders. There was some reaction on the failure to settle the steel strike, but recoveries were in order, and at the close May rye was up the permissible 5¢ limit. Oats were also strong, and we have advices from the Northwest that regardless of large bookings to arrive, sales from that section have been exceeding purchases.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 January 21, 1946.

There was not a great deal of grain news over the weekend, although some snows were reported in parts of the Southwest, with no additional moisture occurring in western Kansas. The trade paid little attention to weather but was guided more by the weakness in rye, with further liquidating orders following Saturday's break. This together with labor difficulties gave us somewhat lower prices at the opening, although in that respect there was nothing new, as everyone was fully prepared for the closing of the steel plants, and that fact had been pretty well publicized last Saturday. Grain traders, however, were awaiting the President's message to Congress but it was pretty well expected that he would urge the extension of price controls for another year. According to best informed people inWashington, he also wanted subsidies kept in effect, especially for food until prices started to decline. Consequently, when the broadtape carried the budget message also calling for extension of these powers, there were no great surprises, but at the same time there were those who had hoped that in trying to balance the budget that $2 billion could be saved by eliminating subsidies. These various price controls are placing a deceptive price-tag on the different products which are being handled, and we see no reason for not permitting bread prices to rise rather than to have the high cost of wheat borne by the taxpayer. However, there seems to be a feeling by the administration that inflation can better be held in check through the subsidy, and we presume that many of the controls will not be relaxed for some little time yet.

The worst situation, of course, is the black market, and the longer operations of this kind are permitted to prosper, the more difficult it will be to restore standards of honesty. When price controls are placed at too low a level, as was the case with respect to corn, it naturally increased the demand for substitute products, and we are finding much more wheat being consumed for feed than had been hoped for. Likewise the demand for oats both from feeders and from distillers is now being felt. Probably the best example of distorted prices in recent years was the low price for sugar, which thus discouraged production. Despite large subsidy payments, beet sugar production in this country declined every year from 1941 to 1944. Those manufacturers had to turn to syrups, honey, and other substitutes with the result that the retail price of seven common sugar substitutes averaged about four times that of the sugar equivalent.

At the present time grain futures are holding rather firmly for the reason that there are no heavy offerings from this country, and the demand for wheat, corn, and oats is being fully maintained. Rye, of course, is in a position by itself, with a very delicate balance between supply and demand. It is true that visible stocks are small but there is no certainty that exports will be maintained, and finally holders who take delivery of May rye will be faced with the prospect of selling their grain under ceiling conditions on June 1, 1946, the effective date. In the meantime, shorts may reduce their commitments, fearful of getting enough grain for delivery, and so we expect extremely erratic markets for some time yet.

The visible supply was late in being posted but a fairly good-sized decrease in the wheat stocks is indicated. Chicago stocks declined 180,000 bu, with only about a million bu remaining here. Rye stocks at Chicago declined 197,000 bu leaving 1,859,000 bu in the various elevators. Today's primaries, while 50% greater than last year, were a little smaller than last week.

The chief feature to today's market was the weakness in rye. On moderate liquidating sales and some stop-loss orders, the May delivery sold down the full permissible limit of 5¢ per bu, but considering this weakness we must regard other markets as having held quite well, although the more deferred futures of oats showed fairly good declines, but on the whole there was no urgency to reduce commitments on a big scale. Final prices for wheat showed only fractional losses.

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CHICAGO, 4 January 22, 1946.

There was not a great deal of overnight news on either grain or labor questions. However, the stock market, after opening somewhat easier, showed a very firm undertone, and this unquestionably was a factor in grains, although it is difficult always to account for the erratic swings in rye. It seems that the quotas of grain for distillers have been restricted very materially, and beverage distillers have been told that they must reduce their grind of rye to about 250,000 bu during the month of February, while restrictions on the use of corn and wheat have also been ordered. Wheat seems to be included now because of the necessity for utilizing all available supplies for domestic purposes and for Europe. First prices were considerably lower for May rye, possibly influenced also by the fact that yesterday's 5¢ break had left selling orders in the pit that could not be executed, and some of these were undoubtedly entered again this morning at the market. On the whole there is no reason for expecting any great weakness in the wheat market so long as the demand is so persistent.

From our recent conversations with people in Washington, it is doubtful whether the exports will reach the previous established goal, but despite this the need remains great, and the German people represent the worst and the most widespread problem of under-nourishment in Europe. However, they are not alone in this respect because all over the Continent individuals and groups are threatened with severe under-nourishment and even starvation. The case of Germany is the most pressing only because it is there that starvation is likely to be most widespread.

After studying the President's message to Congress yesterday, we are inclined to believe that many of the restrictions surrounding the grain markets will be continued a while longer, although the Secretary of Agriculture keeps insisting that supply and demand be permitted to govern farm prices, but apparently he will not get his way except on a limited basis. There are others in important positions who are insisting that OPA make some concessions as an alternative to the prolonged strikes and the loss of production, and we still feel that it is essential that corn prices be advanced at least to the point at which there is a fair relationship between feed and hog products. On the old basis of a 10 to 1 ratio, corn should be selling for at least $1.30 per bu. It has been pretty definitely established that many of the distortions have been brought about due to inability of corn to move properly into commercial channels. Too many farmers have been forced to feed their corn at home, and while, of course, it was necessary to have a large hog population during the war, it is also essential that the industries should receive their pro-rata proportion of corn rather than to have to find substitute grains, which creates a secondary problem.

In spite of opposition to removing flour subsidies at mid-year, the growing tightness in wheat may be attributed to the fact that much is being fed, and we see no reason for spending $500 million a year just to prevent a pound loaf of bread from being advanced 1¢. The same relates just as much to dairy products where about $525 million per year is going from the Treasury in order to keep milk prices from advancing from 1 to 3¢ a quart, and other products in about the same proportion. It is true that cheese might go up about 6¢ a pound, and butter would increase in price, but what is being gained by fooling the people into believing that we are "holding the line," when actually it takes government funds to keep consumer prices down.

Primary wheat receipts were 884,000 bu compared with 1,142,000 last week, and 607,000 last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 150,000 bu.

Inflation talk again came to the foreground, and Senator Thomas challenged Mr. Bowles and the OPA for not revising price ceilings to conform to parity prices; he mentioned the huge loss sustained by farmers on grain they had sold by not being able to get all the law entitled them to. His contention isthat parity prices have been sufficiently advanced to warrant higher ceilings.

Rye went up 5¢ per bu from the previous close after being weak early. July wheat sold at $1.80 1/2, which is the present ceiling, and this encouraged buying all along the line. Oats were very strong, particularly the deferred months, which had been weak yesterday. Apparently there is not much pressure from any source.

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CHICAGO, 4 January 23, 1946.

Headlines from Washington told of flour, pork, and other food subsidies being extended by OES. In line with the President's recent message, Judge Collett, Stabilization Administrator, said that if the current tight supply situation continued, he would ask Congress for authority and funds to prolong payments beyond the end of the fiscal year. It is true that the American people had been told that as soon as industry reached capacity production and goods became available in quantity, prices would tend to level off automatically. The prevalent idea is that inflation is caused by shortage and that it will disappear when the latter is overcome by production. In reality, however, inflation creates conditions under which full production cannot be realized. As economists point out, it is not shortage which causes inflation, but rather inflation which brings about shortages and creates conditions under which full production cannot be realized. There are certain exceptions naturally, but in the main shortages are artificially fomented through regulations and restrictions and various interferences. In other words, whenever there are ceilings, like in corn, which attempt to keep prices on a level incompatible with the supply and demand situation, it invites not only extra feeding to hogs, which nets the farmer a better profit, but it also tends to invite hoarding, which depletes regular channels of trade and causes privation to commercial interests.

When our market opened this morning everything was very strong. The carryover feeling from yesterday was intensely bullish, and no doubt a good many shorts had covered, as they were fearful of being squeezed in the new crop futures of wheat, the same as previous traders had been frozen on the short side of May wheat. By the same token when May oats went to the ceiling price of 81¢ per bu, it started short-covering this morning in the later months, besides which fact there was some emotional buying on the theory that with wages and costs tending higher, everything might go to the maximum price level permitted by OPA. Little attention was paid to routine news, although the government weekly weather and crop report was fairly optimistic. However, mention is made that many fields are only lightly protected in the Northeast and in many far western areas, although we doubt whether recent temperatures have been severe enough to do any damage. The main complaint is that moisture is still needed in the western part of the Great Plains area; however, in the Southwest additional moisture which occurred recently has been beneficial. Small grains are believed to be in good to very good condition in most central and northern areas, and just fair to good in the south because of too much moisture.

May rye is still a very dominant factor for the reason that it will be least affected by the ceiling, although final holders who take delivery can never forget that if their grain is held beyond next June, they are permitted to obtain only $1.44 1/2 per bu, basis Chicago, unless, of course, ceiling prices are altered at some later date by OPA. There is no immediate indication that an upward revision is even being considered.

Primary receipts of wheat were very light, amounting to 660,000 bu compared with 743,000 bu last week, and 580,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 330,000 bu.

Markets were all very strong, and a good deal of inspiration came from rye again, with the May delivery selling well above $2.00, going into new high ground. Best prices were not maintained.

There was some trading in May oats, even after it went to the ceiling price bid, although the volume could not have been large, as it was wanted during most of the session although it finally eased. This naturally created strength in the deferred months, and whenever any article gets close to the ceiling it becomes more or less magnetized, as so many people are afraid of becoming locked in. For the same reason September and December wheat futures were strong, but behind all this is the tight cash situation, with a good deal of grain left in the country but not coming forward fast enough to sustain demand.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 January 24, 1946.

The demand for all feedstuffs is fully maintained. Chances are that the meat strike has had something to do with the recent tightness for the reason that more animals had to be fed and recent requests have been for more feeds, although this is apt to change next Saturday when the government takes over the various packing plants of the country. However, it is not a solution, and as a matter of fact mill feeds are very difficult to obtain unless the buyer has something to exchange with the seller. As we have frequently noted in these letters the trade has virtually gone back to a barter system. Furthermore, rye middlings have been stronger with the recent rise in the rye futures market. Back of the whole situation is the scarcity of corn, not from point of view that we raised a poor crop, for, indeed, 3 billion bu must be considered a big return, but, nevertheless, with the ceiling price too low in keeping with animals, there has not been the movement from farms. As a result terminal stocks have never been built up during the period when accumulation generally takes place. Feeding of wheat must be on a much heavier scale than anyone dreamed of, but in addition to this we have had much larger wheat and flour clearances than in any of the war years. Furthermore, during the first five months of the crop season, the regular flour extract from wheat has been heavy, amounting to 268.7 million bu compared with 232.9 million bu last year. The grinding of granular flour has been smaller by about 11 1/2 million bu, but this was more than offset by an increase in some of the flour sacking departments.

In any case, there is hardly any wheat being offered, and as a result it seems unlikely that the May future will decline from ceiling levels for the immediate period ahead. Those who have been locked in have in some cases bought new-crop deliveries, and this buying has gone as far ahead as December, with the result that yesterday it was a question whether September and December wheat would likewise be frozen. It seems rather unwise until we know more about next year's crop to become too enthusiastic simply on the theory that there may be some increase in ceiling levels for the 1946-47 wheat crop. Still there has been a wave of buying, not only by shorts, but also by those who predicate their thoughts on that possibility. The buying is also stimulated by a reminder that domestic consumption is so great that we shall probably have to curtail export business.

News from Washington indicates that the government is expected shortly to reclaim the wheat export business, which a few months ago was turned over to private commercial operators. It is figured that by having a closer check of distribution, both foreign and domestic, we might be able to limit some shipments to countries not in dire straits. On the other hand it appears to us as though this could all be accomplished through a supervisor, and permit the actual exports to be handled by those who understand foreign conditions so well through their many years of experience. The British have voluntarily agreed to cut their purchases from the United States and at the recent conference between our Secretary of Agriculture and Sir Ben Smith of the British Ministry of Food, agreements were reached so that United Kingdom stocks might decline below the reserves which had heretofore been planned. This shows great cooperation and understanding in view of the smaller farm reserves remaining in this country.

Primary receipts of wheat ran a little better, at 926,000 bu compared with 1,105,000 bu last week, and only 531,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 535,000 bu.

For a time rye was very strong, but a fair amount of liquidation came into the pit because of the weakness at Minneapolis, and that market sold at 13¢ per bu discount under Chicago, which is considerably more than a shipping difference. The cash demand is not too brisk, and it is less easy to get satisfactory bids --at least, on a premium basis over the May. This is quite understandable with the price of rye 20¢ higher than wheat. The early strength in oats and in wheat was the result of a generally tight cash situation, but the break in rye had some influence in other pits, although all wheat futures both at Minneapolis and at Kansas City were at the ceiling.

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CHICAGO, 4 January 25, 1946

The Washington Office of OPA has advised its field offices today as follows: "It has been called to the attention of this office that buyers of wheat and other grains are entering into collusive arrangements with elevator operators to combine the purchase of wheat or other grains with the leasing of elevator space." We have always maintained that a free price is the best and surest adjuster of market conditions and tends to bring in balance supply and demand. If market conditions so demand, the advancing of prices would come either under regular ceilings or through black markets. It is rather freely discussed in grain circles that the grains which are being channeled away from the legitimate markets amount to considerable proportions. We doubt whether the OPA has a sufficient policing force to stop all the practices which are now being indulged in.

From all reports black markets have arisen in many countries throughout the world. In a rather recent publication of Broomhall, he gives some interesting information with reference to the wheat and bread situation in France. When bread-rationing was removed the consumption of bread per month in that country increased 20 to 25%. However, bread was being purchased in France and re-sold on the black markets of Germany or Spain. The relatively low price of bread has led to an increase in consumption. The amount of wheat which has been collected in that country for growers so far this season has been below that of the corresponding period of last year, due in part to difficulties of transportation, shortage of agricultural machinery, and lack of confidence in the stability of the franc, also the withholding of wheat on farms to feed cattle, and the lack of oil cakes and secondary cereals. However, the same source states that the autumn sowings of wheat this year have been increased about 49% over last year and now total 9,754,000 acres. While this is a substantial increase from a year ago, it is still considered below the seeded fall acreage of pre-war years.

According to Sanford Evans, the third official estimate of the Canadian 1945 grain production places the total Canadian wheat crop at 305,912,000 bu, or about 3 million lower than the second estimate. For twenty-five weeks of the present crop-season, the Canadian exports of wheat and flour, as of January 18th, are estimated at approximately 198 million bu, leaving the amount available for export and carryover for the next twenty-seven weeks of 206 million bu. This was an increase of 5 million bu from the previous week's export report. If export quotas should be maintained for the balance of the crop-year, it would indicate a reduction in the carryover at the end of the season to rather small proportions.

Primary receipts of wheat today totaled 997,000 bu compared with 937,000 bu last week, and 606,000 bu the comparable day last year. So far this week Minneapolis and Kansas City stocks show a net decrease of 726,000 bu.

The Oklahoma Weekly Crop and Weather Bulletin of January 22nd, states that rains and snows for the week ended that date improved the soil and moisture situation, except in the Panhandle area and the adjoining counties where surface moisture is still needed. However, we understand from those who visited this territory recently that subsoil moisture is still in good shape. There was no moisture of any consequence reported throughout the Southwest overnight, and present weather reports indicate the approach of another cold spell.

The ability of mills to sell flour is limited only by the amount of wheat which can be purchased. There seemed to be evidence of mill buying during the session. However, with all futures at or so close to ceilings, there is very little interest displayed by outside traders in the major cereals.

At the opening there was a bearish carryover feeling in rye, but shortly thereafter Minneapolis prices became firmer, and our market recovered, with final prices higher than the previous close. However, the trade today was mostly of a local character. There were some inquiries reported for cash rye at about 6¢ over the May, but none seemed to be offered on that basis.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 January 28, 1946.

Trading in grain has narrowed down considerably and there remains only the one future in rye and three in oats in which fluctuations are taking place. Psychology is rather bullish, however, and in discussing grain matters with one analyst this morning, he told us thatnot being able to buy wheat or corn because all futures were at the ceiling, he felt that expression had to be given elsewhere. For that reason a good many people were buying May rye regardless of what the final outcome might be.

When our market opened this morning, the labor situation appeared to be much better, and it was generally figured that with Ford and Chrysler settling on basis of about 18¢ an hour increase in wages, General Motors and Steel might follow suit. In any case the stock market seemed to confirm this view, and during the first hour a million shares changed hands at prices considerably higher than the previous close. Rye prices were as much as 2¢ per bu higher at the opening, but strangely enough, there was some hesitancy in oats, but, of course, the deferred months are getting closer to the ceiling. We have felt for some time that with the price of corn too low in relation to hogs, that farmers would try to get a higher corn price through feeding operations, and apparently that is exactly what is happening. As a result, there have been no commercial supplies of corn built up at terminals during December and January, and in fact feeders who have not raised their own corn have had to seek substitute grain; undoubtedly in many cases they went to black markets, with the result that the disappearance of wheat has been very much heavier than even the Department of Agriculture had reasoned to be the case. The official figures which we received on Friday indicating total wheat stocks in the country of 689 million bu on January 1st have led us to believe that wheat feeding has progressed on a tremendous scale. In other words, the extra disappearance has not been for food, for seed, or for alcohol, and since we know approximately what the exports have been for the first six months, we may only conclude that the other outlet: namely, feeding, has taken such additional heavy quantities of grain. If this is the case, there may not be a correction until either wheat becomes unavailable and is no longer offered, or until corn prices are lifted to a point at which the farmers will find it just as profitable to sell the corn as to feed it, thus reducing animal population.

There was practically no trade this morning in any of the wheat futures, and mills are still finding it difficult to get sufficient supplies for their operations; in fact, a number of millers have withdrawn offerings from the market. One operator stated that he has sold all that he could grind through the middle of April and would not entertain business for shipment after that date until word had been received on the February subsidy. With talk current that there may be a restriction of inventories, limiting millers to sixty days' supply, there is also the feeling that further intervention may become sufficiently severe to make business even more difficult. As Broomhall points out, the world carryover of wheat will be way down and that North America needs a large wheat crop next summer, particularly with the heavy European needs likely to be continued.

Primary receipts of wheat were a little better amounting to 1,366,000 bu compared with 1,526,000 bu last week, and 1,134,000 bu last year. The visible supply was again late in being posted.

Trade was rather moderate, but rye was very strong for the reasons which we have mentioned earlier in this letter. An advance of 5¢ per bu took the May delivery to the day's 5¢ limit. Some selling came into the oat market, but the latter was more or less firm on removal of hedges from the Northwest. It was the belief that one house covered about 1/2 million bu. of September, which lent strength to the other months.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 January 29, 1946

There was very little grain news overnight except a dispatch from Washington that the CCC would probably take over the export business shortly, following a conference between grain exporters and officials of the Grain Branch of the Department of Agriculture. Apparently both groups admitted that the present program for a six-month goal of 6 million tons was not working out according to schedule. The trouble, of course, is that while wheat is moving fairly well from farms, there have been heavy black market operations, and we are convinced from the recent figures given out by the Department of Agriculture that a good deal of wheat is being fed; in fact, much more than had been considered likely. Much of this is due to the scarcity of corn and protein feeds in those districts in which the farmers did not raise their own grain.

In the meantime the food situation in Europe and elsewhere in liberated areas is terribly acute, and as was pointed out recently President Truman appealed to Australia, Argentina, and Canada to use their surpluses to the best possible advantage and to bend every effort to increase the amounts that they could make available to the International Wheat Pool. It has also been claimed that the Department of Agriculture is developing a scheme aimed to stimulate marketings of farm-held wheat. This plan is scheduled to be announced not later than the next day or two, although officials have declined to indicate just what the plan is. It may simply be a letter of urgent appeal or it may be a subsidy, but we should have this information very shortly.

The report has been given of stocks of various grains in all positions as of January 1st. Several days ago the wheat report was issued showing 689 million bu, which was considered very bullish, inasmuch as the 6 million tons for export expected from this country would entirely deplete our stocks before the end of June, with domestic uses running about normal. Even in the first six months of the crop-year our disappearance was 715 million bu when exports were smaller than the plan for this six-month period. So on the face of it there must be great savings one way or another.

Stocks of other grains as given are less startling. Rye figures approach those of wheat as we have only 14.5 million bu left or about half of last year's stock, but this grain can always be substituted and at the present high price many uses eliminated. Corn total stock is 1,976 million bu, or 9% less than last year, so that our three-month disappearance was 90 million more than the corresponding time. That period is the heaviest for consumption during the year; so in this grain it would seem that we would not be entirely out of stocks before the new crop arrives. Given a normal growing season, with the large percentage of hybrid seed being used, we could raise an enormous crop. Even this past year under the poorest conditions the yield per acre was very high. When we come to oats the picture is quite different. The stock of 1,077 million bu is 30% larger than last year and the disappearance for the three months was 313 million bu. In this grain exports have been running only at a negligible amount--about a million bu per month. So far as the domestic uses are concerned we normally use less in the last six months of the crop year than in the first half. Therefore, if we take a simple rule of thumb and double the quarterly uses, they would be 626 million, and on this basis the carryover would be 451 million bu. We fully realize that statistics cannot be relied on too much, as the human element enters the picture and as aforementioned, the plans of exporting our wheat to relieve distress in other countries have had to be changed because of an apparent error in judgment. It had been figured that we could supply all this wheat needed and still have a carryover of 200 million bu. This was the thought even a few days prior to the issuance of the last report. In sizing up the stocks of grain, it appears on the surface that the all-over supply is ample but the uses of rye and wheat will have to be cut down.

Rye for some reason opened 2 to 3¢ lower but the weakness was shortlived, and we experienced an 8¢ advance during the session. The strength was probably due to an item on the ticker that rye might disappear from the Nation's diet before the end of the crop-year. It was also stated that there was only about 13 million bu rye left in the country and a small acreage indicated for the 1946 crop. However, best prices of the day were not maintained.

Oats were inclined to be a little easier, at least the deferred months, but the May delivery remained frozen at the ceiling.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 January 30, 1946

In spite of a great reduction in the wheat stocks of this country, the President is still determined to keep our exports at a high level, and according to news from Washington the program to ship 6 million tons is now labeled a White House "must." The same dispatch discloses that the Secretary of Agriculture has been told by the President that the wheat goal must be met and that there is to be no acceptable excuse for not meeting it. Hence, there is a renewed drive to formulate a comprehensive program that has some chance of meeting with success. We do not know exactly how this is to be done, but there are intimations that the government will launch a campaign by letter, radio, and through the press, appealing to farmers to market their stocks of wheat at a heavier rate.

As was recently stated there is about 368 million bu wheat still remaining on farms. We have mentioned on several occasions that black market operations are accounting for a good deal of wheat going into feeding channels, even though it is a much more expensive process. The relationship of corn prices to other grains has radically changed since corn was first placed under a ceiling, and we give some interesting figures compiled by an expert to show the price relationship of corn on an FOB Chicago basis with substitute grains.

#2 Yellow Corn	$1.18 1/2 per bu	$42.30 per ton
Wheat	1.79 " "	59.67 " "
Feed Barley	1.23 1/2 " "	51.44 " "
#2 White Oats	.84 " "	52.50 " "
Grain Sorghum	2.82 per cwt	56.40 " "

(These prices do not today represent the true relationship of value in accordance with present demand.)

In view of the fact that the OPA violations are not merely by the dozens but by the hundreds or thousands, and since nobody can accurately check dealings between farmers or between agents who make direct dealings with farmers and country elevators on a cash basis, we presume that this unhealthy traffic will continue and that as a result our disappearance of wheat will be heavier for domestic purposes than would be the case if we had free and open markets. However, the government may attempt to impose restrictions on wheat for feed and may even go so far as to place limitations on flour inventories in order to keep the export movement at peak levels. In spite of this we predict that any program for the shipment of 225 million bu wheat during the latter half of the season will be difficult, and possibly dangerous to establish, particularly until we know more of next year's crop prospects. It is difficult to venture too far from the fundamental laws of supply and demand, which tell us that a price which is too low does not maintain production, and that a price too high does not maintain consumption.

Primary receipts of wheat were somewhat smaller at 782,000 bu compared with 660,000 bu last week and 525,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 518,000 bu.

Markets were rather erratic. There was no trade to speak of in wheat; in fact, orders to buy, which had been in for several days apparently were still unfilled, but there was a moderate trade in oats, with that cereal inclined to be somewhat weaker, despite the fact that cash markets are strong, and little grain is moving from the country. Rye prices were mixed. At the high point of the day of $2.14 3/4, we have had an advance of more than 43¢ per bu since January 5th, and the chances are that further reactions are in order. This is particularly true because of the present level of prices. There is bound to be some curtailment in demand, and those who have cash rye cannot use it too profitably, especially when we compare values with other grains. Others must have felt the same way, and there was moderate liquidation which brought about a 5¢ decline. The trade is awaiting further information from Washington on plans for the control of wheat in order to stimulate farmers' selling. Whether loans will be called prematurely we do not know.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 January 31, 1946

There was very little grain news overnight, but there were indications from Washington that the export program was being rather widely discussed, and apparently the Secretary of Agriculture will do everything within his power to encourage farmers to market their wheat on a broader scale. It is going to be difficult in our opinion to ship one million tons monthly without seriously depleting our supply at home, although undoubtedly there have been a good many commitments made, and with Europe literally starving, there seems to be the will to do all we can from a humanitarian point of view. There has been some increase in the acreage to winter grains in Europe, but reports emphasize that the sown area is still well below pre-war levels and that with inadequate supplies of fertilizers there may be still a large demand for the next two seasons, although probably it will not attain the same proportion that was experienced during the current season. There is also some talk of getting a heavier flour extraction from every kernel of wheat, which in our opinion might help some, but the heavy waste seems to be in the wheat feeding to animals, as it takes about 7 pounds of grain and forage to produce a pound of meat; in another direction there might be a saving in human consumption: namely, in the removal of the subsidy. This might raise the price of bread 1¢ per loaf but in turn it would undoubtedly create less wastage.

The longer we keep these subsidies in operation, the more difficult it will be to stop them. What this Nation really needs to do is to "roll up its sleeves" and get to work. With full production and a free market again, prices would soon react, just as radios went down from $300 to $30 under the pressure of mass production. In other words, competition will do much of the work which law-enforcement agencies cannot even attempt to handle, and it would soon put an end to price-gougers and black markets.

When our market opened this morning prices were somewhat easier both for oats and for rye. However, it was mostly speculative selling, and it is still about as difficult to buy cash oats in the country as at any time. However, the recent report on farm reserves indicates that in many States we have 50 to 100% more on hand than last year, and it is still likely that there may be some change in producers' attitude towards selling. This may not come until spring but we think that the one cereal which is in a somewhat more bearish position than any of the others is oats, particularly with the big carryover in sight. There is talk that with other feed grains in short supply, more oats may be domestically consumed, but even figuring on this there should be enough for all purposes, and possibly too much to be consumed at near-ceiling levels. Meanwhile exports during the past few months have been next to nothing.

Primary receipts of wheat amounted to 858,000 bu compared with 926,000 bu last week, and 673,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 707,000 bu.

Markets were erratic, at least those futures where there was trading. On the other hand, we note that yesterday there was only about 177,000 bu of wheat traded, and 160,000 bu of corn. The chances are that a good percentage of this business was either against cash, or by way of changing from one month to the other. Today the story was very much the same. However, May rye, which opened a little lower, became quite strong when Winnipeg prices rose, but best prices were not maintained. There seems to be a little more two-sided sentiment.

Little attention was paid to the 1 1/2 million bu of Canadian oats which were worked tocome to this country. We understand these permits have been granted, and that more are pending. Whether these oats come to Chicago or go directly into consumptive channels makes little difference, as the demand is good. As yet there is not much offered domestically, but in time that situation may change.

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CHICAGO, 4 February 1, 1946

It was decided several days ago to start an intensive drive to encourage increased movement of wheat from farms to fill export commitments between now and July 1st. We understand that feeding quotas will be drastically cut, so that smaller quantities of wheat will go into animal consumption. We also understand that millers having small supplies on hand will be given priorities over those who are better stocked. We believe also that the export business will be handled through a system of allocations, and now news has come to us that wheat loans have been prematurely called, so that on March 1st farmers outside of the Northwest will either have to redeem their grain or it will be taken over by the CCC. The latter does not comprise a very heavy quantity, but nevertheless, the government seems determined to get as much wheat as possible into export markets. The world's demands are unusually great. As experts point out, one of the worst droughts in decades has occurred in parts of Europe and North Africa. The effects of war and reduced fertilizers and draft power have caused hardships. So with loss of men, equipment, and farm land, it may take some time yet before the war-ravaged countries have enough food and feedstuffs from their own sources to carry on. To cope with this situation farmers at home have been asked to keep in touch with their local elevators and to move the grain as soon as local transportation permits. The Department of Agriculture is cooperating with governmental agencies and the Association of American Railroads to make more cars available for the movement of grain.

The February flour subsidy was published late yesterday by RFC, but there have been no changes in price but a change in the method for payments is being entertained.

The Santa Fe report was rather heartening. In discussing conditions in their territory, they called attention to the fact that while the wheat had gotten off to a wonderful start, there has been a setback due to dry weather, but that lately a material improvement has taken place. This is particularly true in the eastern two-thirds of the wheat belt, although farther west they claim the familiar story of additional moisture being needed. The general outlook now is about normal, and this is about all that we can expect at the beginning of February.

It is still very difficult to buy grain of any kind in the country. It remains a question of being able to trade some other scarce article which the farmers may want for the corn and wheat that is so badly needed by the trade. This situation is responsible for a greatly curtailed business, although we note that the corn receipts in Chicago have been quite heavy during the past few weeks, but most of the grain is applying on contract. Nobody can formulate an opinion or even give a close estimate as to the amount of wheat and corn going through black markets, but there must be a tremendous traffic, and certainly this is a big offset to some of the good being accomplished by OPA ceiling prices.

Primary receipts of wheat were 863,000 bu compared with 997,000 bu last week and 611,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 796,000 bu When the visible supply is posted on Monday it will compare with a decrease last year of 3 3/4 million bu.

There was very little feature to any of the markets, with the exception of May rye. In the latter cereal there was great firmness in sympathy with higher prices at Winnipeg.

We note there is still about 35 1/2 million bu of all wheat contracts open but the day-to-day trading is almost meaningless because it either represents transactions against cash, or changing over from one delivery month to another. The same is more or less true with respect to corn, with 15 3/4 million bu of all contracts still open. At the beginning of the session oat futures were a little indifferent, but they finally firmed in sympathy with higher prices in rye. There was no particular issue, except that there is still no pressure from the country; the longs in the market seem to be fairly well satisfied with their position, but on the other hand we believe that shorts are mostly hedgers.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 February 4, 1946.

According to Washington reports, consideration is being given to the curtailment of wheat for export. This country evidently had made pledges to furnish 6 million tons, or 225 million bu, of wheat for foreign relief during the first six months of 1946. There seems to be some indication now that this may be cut to 4 million tons, or approximately 150 million bu. It no doubt is a tragedy that in a season of Europe's greatest needs, importers cannot get as much wheat as they want from abroad, but on the other hand, with short crops in the Southern Hemisphere, it is impossible for this country and Canada to furnish the wheat requirements of Europe and elsewhere, take care of our own needs, and support a large animal population. In connection with the conservation of our wheat supplies, the Secretary of Agriculture is appealing through radio and other methods, urging poultry and meat producers to expedite increased marketings of these commodities in order to effect savings in the amount of feed required.

As so often pointed out in our market letters, the inequalities of ceiling prices have led to abnormal feeding, and the development of black markets, preventing grains from moving through normal channels of distribution. This condition seems to be aggravated more from day to day rathern than relieved. Furthermore there has been a suggestion made to millers that a greater extraction of flour be produced from wheat. In other words, the use of darker bread and the production of less white flour. However, like most actions of this nature, there would be a secondary consequence: namely, that less bran and shorts would be produced for feeding purposes, which would tend to make the feeding situation more acute than at the moment.

We have a letter today from a very good friend of ours in the Southwest, who has extensive mill and feed operations, stating as follows: "Proteins are unobtainable. We own a number of oil mills, but have not been able to get any proteins from our own mills. This is because the ginners refuse to let us have the seed without giving them the full amount of protein in the return.-----our feed plants are running two or three days a week as they are always out of something."

More encouraging news comes from Argentina with reference to the corn situation. From a report which we have in front of us, the prospect of bringing Argentine corn to port of shipment is greatly improved, with the announcement that 200,000 tons of fuel oil are being made available to that country from the United States. A report from Rosario indicates that the use of corn as a fuel has been practically entirely abandoned. While transportation difficulties still exist, which are handicapping the movement of grain, nevertheless, it is welcome news to hear that the extravagant waste of corn for fuel purposes is being eliminated.

There was no moisture of consequence over the weekend. The Department of Agriculture in their weekly grain market review states that snow covering is inadequate for the protection of small grains from severe cold weather in the greater portion of the main winter wheat belt, but in spite of this lack of covering wheat appears to be mostly uninjured by the recent cold weather. They report ample moisture in most sections except in the western portions of the Great Plains and in some very southwestern areas. The Oklahoma weekly report indicates that in the Panhandle area of that State the topsoil is becoming quite dry. However, in the southeastern counties soils are mostly water saturated following the heavy rains of the past four weeks. They further report that, while wheat and small grains are nearly dormand, sufficient plant growth has occurred in the southwestern areas of that State, so that stands have been materially improved.

Primary receipts of wheat totaled 1,260,000 bu as compared with 1,366,000 bu a week ago, and 1,129,000 bu. the comparable day last year. The visible figures were not posted before the close. Chicago wheat stocks for the week show a decrease of 14,000 bu, and now total 972,000 bu. Rye decreased 218,000 bu, leaving the supply in Chicago at 1,578,000 bu.

There was considerable September wheat on tap during the session and for part of the period that future was selling away from the ceiling, but at the close was again bid at ceiling prices. Rye gave a very erratic account of itself. The market opened strong in response to Winnipeg and had many intermediate fluctuations; however, prior to the close May rye broke about 3¢, closing unchanged to 3/4¢ lower than Saturday's session.

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CHICAGO, 4 February 5, 1946

Secretary of Agriculture Anderson, in a speech prepared for the meeting of the National Canners' Association at Atlantic City, stated that President Truman's plea for the continuation of wartime food subsidies and price controls beyond their June 30th expiration date had his support. The Secretary in previous talks had indicated that he thought it desirable to eliminate subsidies and price controls at as early a date as possible, but in reversing his previous thoughts he intimates that the Department of Agriculture had underestimated the tremendous demand for food and the great buying power in the hands of workers and returning veterans. Therefore, in face of the dangers of inflation, he feels it necessary to maintain both price controls and subsidies. On the other hand one of the Chicago newspapers carries the following headline: "Price ceilings to go up." An International News Service article from Washington appearing in this newspaper states that the President will shortly authorize an upward revision in the Nation's present "hold-the-line" price policy and will direct that the new stabilization level will be held for one year until such time as rising production will overcome inflationary dangers. The article is supposed to have been inspired by high government officials and intimates that an official announcement will be made from the White House within the next two or three days' time. The article from which the above has been taken does not in any way mention increased ceilings for food products but mainly manufactured goods to reflect higher wage scales which have been or which may have to be granted.

The original concept of parity prices was supposed to bring in balance those articles which the farmer had to purchase against the price which he obtained for his farm products. If ceilings are to be raised on steel, clothing, textiles, farm machinery, and other items necessary to a producer, it would appear almost elementary that parity prices must be revised upward before the movement of the 1946 crops. Today's parity is about four or five points higher than when the loan program was announced last year, and further increases in the cost of manufactured goods should lead to a still greater advance in parity; irrespective of any policy of "holding the line" as far as food prices are concerned, they probably will have to be automatically adjusted upward in accordance with the parity formula. As to the continuation of subsidies, we still cannot concur in this policy. Probably never before in the history of this country has there been such a pent-up buying power. Savings accounts, which represent the money of the average man, are at swollen heights. Wage increases will mean further buying power; increases in food prices would help to syphon off this buying power and to somewhat check the inflationary spiral. Subsidies mean increased government spending and increased government debt. But under present economic conditions, there seems no reason to feel that the government should pay part of the food bill of every individual regardless of his ability to pay a fair market price for his own food. Another very salient factor in keeping down food prices is that it leads to extraordinary consumption and black market operations. At the present time our officials are concerned about food conditions in Europe and our inability to furnish as much wheat and flour as is required for export. This situation could be somewhat alleviated by doing away with subsidies and permitting grain prices to react to a more normal market.

Primary receipts of wheat today totaled 1,189,000 bu compared with 777,000 bu last week, and 743,000 bu last year. So far this week stocks at Kansas City and Minneapolis show a net decrease of 353,000 bu. When the wheat visible was posted this morning stocks of wheat showed a decrease of 5,410,000 bu for a total of 50,528,000 bu less than a year ago.

The rye market was unsettled this morning on a statement which Secretary Anderson delivered at a banquet last night, calling upon the commodity futures market to aid in controlling speculation in grain and cotton. He intimated that he had previously requested a limitation or discontinuance of further transactions in "a" May futures contract, and this had been identified by others as referring to rye. However, no action as yet has been taken, and we are unable to predict the ultimate outcome.

Some dust storms have been reported from western Kansas, but our own weather man seems to feel that rains and snows are in the making, and moisture would be very welcome in that part of the winter wheat belt.

Trade in wheat was featureless and of very small proportion, although yesterday there was about 2 1/4 million bu traded, and the total open interest increased 928,000 bu.

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CHICAGO, 4 February 6, 1946

There is an old expression, "You cannot have your cake and eat it too." There is a limit to the amount of grain which we can furnish to take care of the heavy requirements of war-stricken Europe, to support a large animal population in this country, and to meet the needs of our increasing population, particularly when prices of grains and their products are kept abnormally low through the use of ceiling prices and subsidies. We have drawn attention so many times in our letters to the fact that ceiling prices on corn have led to distortions and to maldistribution, that it hardly seems necessary to repeat. Under present ceilings feeding has been extremely profitable, and even wheat, which should have been conserved for human consumption, has been extravagantly used for feeding and the manufacture of feed products. At the present time those in authority are appealing to farmers to market their products more freely, and also to curtail feeding operations, particularly as applying to poultry. However, regardless of such an appeal, if support prices make it profitable to produce eggs or chickens, the tendency will be to continue producing them. If the farmer feels that advancing price levels should warrant a higher price for wheat or corn, there will be a holding tendency, and subterfuges used, no matter how strenuous an appeal is made to them. This is human nature. The surest way to bring about an adjustment is through free expression of prices. Free prices reveal relationships or ratios, and when these price relatives do not tell the truth, or in other words when the ratio is too high or too low, trouble follows.

We have been experiencing this difficulty in the marketing of corn during the past several seasons. As far as wheat is concerned, it may be political expediency to hold down the price of bread to the 1939 level, but it is not good economics, and even though the removal of all price restrictions might lead to fair advances in market prices, the adjustments to supply and demand would come about that much quicker. The same is true with reference to the elimination of subsidies; the increased cost would be absorbed by the swollen amount of money in circulation and act as one of the breaks on the inflationary spiral. Furthermore, even though bread and other cereal prices should advance, it does not necessarily mean that all food products, such as vegetables, etc. would enhance in value. In fact, it was maintained some months ago by the Department of Agriculture that the removal of all ceiling prices and subsidies would not actually mean an increase in the over-all food cost to the consumer.

The moisture which had been predicted for the western third of the winter wheat belt did not materialize, although the dust storms reported have subsided. Some damage may have been done. The government weekly weather and crop report just issued from Washington states that snow covering was inadequate or lacking over the main wheat belt for the protection of small grains from severe cold weather, particularly in the Western Plains. However, they comment that winter wheat is believed to be in fairly good to very good condition in most sections, with very few reports of damage from winter killing. They do point out that additional moisture is needed in the western portions of the Great Plains to prevent the blowing of soil. Indications at the momeht are for clear weather.

The United States Department of Agriculture has released some rather pertinent facts with reference to rye. They point out that the acreage sown for all purposes for the 1946 season is 3,721,000 acres, or 17% less than a year ago, and 41% less than the average. The acreage not harvested for grain in 1945 was 56% of the acreage seeded for all purposes, and the condition of rye on December 1st was indicated at 83% of normal, which is 5 points below that reported a year earlier and 7 points above the ten-year average. They further comment on reduction in rye sowings due to planting of crops more urgently needed, unfavorable income per acre in cereals of other crops, and scarcity of relatively high-priced seed and less need for fall pastures in the eastern States.

Primary receipts of wheat today totaled 445,000 bu compared with 782,000 bu last week and 508,000 bu last year. So far this week stocks at Minneapolis and Kansas City show a total decrease of 639,000 bu.

Wheat trading again remained featureless. In oats there was some good commission-house buying, probably for Northwest accounts. Rye again held the spotlight; relatively small selling orders ran into stop-loss selling, and again this cereal was subject to sharp declines, the May declining the full permissible 5¢.

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CHICAGO, 4 February 7, 1946

The statement of President Truman that the conscience of the American people would not permit them to withhold or stint their co-operation while their fellowmen in other lands suffer and die will certainly meet popular acclaim, and cannot help but express the feeling of most Americans. In making this statement, the President has laid out a 9-point program to assist this government in carrying out its former pledges to the peoples of Europe. There can be no question that the program as outlined will in part help to conserve food supplies in this country, and whatever can be saved in our consumption can be made available for world needs, but on the other hand the plan, as outlined, can only act as a palliative and does not go deep enough into the root of our difficulties.

The paramount issue that has disrupted our normal usage and distribution of grains is that the corn ceiling has been held too low for a period of years, and that our feeding operations have been set at too high a goal with an extraordinary favorable feeding ratio. As long as this condition exists and feeding is on an exceptionally profitable basis, corrections will not take place, regardless of the appeal made to producers in this country. It takes seven lbs. of grain to make one pound of livestock, that is, live-weight, but this does not tell the complete story, as it takes about sixteen pounds of grain to make one pound of meat as edible nutriment served on the table including the untrimmed fat. This ratio applies to average grades of meat, while for better grades the proportion is somewhat larger. In requiring the wheat flour extraction rate to be raised to 80% it will automatically reduce the production of wheat mill feeds. According to the government official figures, in 1945 the total production of wheat mill feeds, which are the by-product of flour, amounted to 6,200,000 tons of a total of all by-product feeds of 19,335,000 tons, or roughly speaking slightly under one-third of the protein feeds produced was derived from flour production. In raising the extraction of flour from 72%, which is the normal figure, to the proposed 80%, we estimate that the wheat mill feeds will be curtailed about 25%, which would reduce the amount of protein feed about 8 to 10%, and would, therefore, create that much extra demand on other proteins or grains if ceiling prices are adhered to and feeding ratios remain on the same basis. This again points out the difficulties encountered when prices are not permitted to express the free relationship and we resort to ceilings, subsidies, and other artificial methods.

The Canadian government in analyzing the critical world wheat situation has announced that country would have 140 million bu of wheat, including flour, available for export between February 1st and July 31st. In arriving at these figures, the Canadian Wheat Boardestimates that the available supply will be in excess of the minimum United Kingdom's home requirements for the balance of this crop year, and that the surplus will be allocated to other countries. Figuring wheat in all positions, Canada has a total of 217 million bu, leaving 77 million bu remaining for domestic requirements, and a relatively small carry-over.

Primary receipts of wheat today totaled 639,000 bu compared with 858,000 bu a week ago, and 505,000 comparable day last year. So far this week stocks at Kansas City and Minneapolis show a net decrease of 889,000 bu.

Interest in the wheat pit was again at low ebb; yesterday only 126,000 bu were traded in all wheat futures. Weather throughout the winter wheat belt remains fair, and there are no immediate indications of moisture.

Rye continues to act in a very erratic fashion. During the major portion of the session quotations from Winnipeg were missing owing to air disturbances caused by sun spots. However, our market was under pressure during most of the session. In some quarters it was felt that the recent announced nine-point program of the government, curtailing the use of grain for beverage alcohol might cause some supplies owned by distilling interests to be thrown back upon the market. However, with the present statistical position of rye, should any distillers' stocks be made available, feel that use for same can be found in exports, etc. Stop-loss orders were uncovered on the decline, and at one time rye showed a loss of about 4¢ from last night's close, but toward the latter part of the session reactions set in. The market was barren of offers, and prices at the close were about 3¢ per bu higher than last night.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 February 8, 1946

It is impossible to have any opinion until the details of President Truman's 9-point program have been worked out. He has called a meeting in Washington of the millers and bakers on Monday to discuss the 80% extraction of flour. One of our very good friends in the milling business in discussing the 80% extraction states, "For my part I am convinced that any change in extraction will be wasteful. If there was something lost in the milling process, it would be different, but in flour milling efficient use is made of everything in the berry, and when the government experts get to interfering with an effective processing and distribution program, it generally makes matters worse." That has been the great difficulty in all the planning. Normally the problems of production and distribution cover a complicated piece of machinery that is held in balance by all the component parts properly functioning. As soon as one element is thrown out of kilter by any artificial means, it immediately affects the entire mechanism. It is like a watch which can only function properly if the hundreds of individual parts are in adjustment.

Part of our difficulty in meeting the sorely needed requirements of the world has been our extravagant use of wheat for feeding operations. We have been blest with three large crops of wheat, which if surpluses had been permitted to accumulate would have been a godsend today. We are now facing very large inroads into our surpluses, and while there is a large contemplated acreage either already planted or will be planted in the spring, the vicissitudes of weather are such that no one can be sure of the outcome at this date. Due to our loan policy, large surpluses of wheat came under government control between 1942 and 1943. In the anxiety to reduce the load, we embarked on a wheat-feeding program such as has never been witnessed in this country, and we did it to the distinct advantage of the feeder by feeding some of the finest quality bread-wheat on basis of corn which has been held at an unduly low ceiling. Over a ten-year period from 1932 to 1941, the average amount of wheat consumed as feed was 122 million bu; in 1942, the domestic disappearance of wheat for feeding purposes was 292 1/2 million bu; in 1943 it rose to approximately 487 million bu; in 1944, 275 million bu, and the forecast of our Department of Agriculture last November is for a disappearance as feed of 200 million bu. So, no matter which way we turn, the present situation leads to one road: namely, excess of feeding in this country.

In looking over crop conditions in other countries, which are not particularly favorable at the moment, it is pleasant to read that Australianfood officials have disclosed recently the existence in the Commonwealth of an important stockpile of foods, and have further announced that Australia would have 50 to 60 million bu of wheat for export this year. The Argentine government now estimates the exportable surplus of wheat at 69 1/2 million bu, which compares with slightly over 89 million bu the calendar year of 1945. The reduced shipments of wheat and flour from Argentina are leading to a shortage in Brazil, although the situation has been relieved by recent arrivals of wheat and flour from the United States. Present prospects of corn in the Argentine intimate a crop of about 200 million bu. While this is less than normal it would be 70% larger than the curtailed production of 1945.

Sanford Evans as of February 1st has revised downward by 10 million bu his estimate of Canadian home consumption, and has raised by this 10 million bu the amount estimated available for export and carryover for the last 25 weeks of the crop. The figure available now stands at 209,739,584 bu.

The Oklahoma Weekly Crop and Weather Bulletin states that the soil moisture situation is favorable in the eastern two-thirds of the State. Surplus moisture conditions are fair in the southwestern area but poor in the west central and northwestern counties. The overall picture of January's precipitation for that State averages 2.82 inches, which is almost twice the amount normally received. Of course, the unrelieved sections show a great deficiency.

Primary receipts of wheat today totaled 872,000 bu compared with 863,000 a week ago and 513,000 bu last year. So far this week stocks of wheat at Kansas City and Minneapolis show a net decrease of 1,035,000 bu. When the visible is posted on Monday it will compare with a decrease a year ago of 3,907,000 bu.

It was again a very quiet session in the wheat pit. From different sources we hear that the present publicity on the subject of food has led to considerable hoarding of flour on part of housewives.

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CHICAGO, 4 February 11, 1946.

We started the crop-year with total wheat supplies of 1,404 million bu. Taking into account small imports, mostly from Canada, this figure reached about 1,414 million bu, so that we may conclude that the disappearance for the first six months was about 725 million bu. It is true that in the four positions there is only 689 million bu wheat on hand as of January 1st, and while we have had a record disappearance there is no need to become panicky, provided we use our heads and remain calm. There were four successive years when the total wheat production in this country was smaller than the reserves presently on hand. For example, in 1933 we raised only 551 million bu; in 1934 the spring and winter wheat crop totaled 526 million bu; in 1935 we raised 626 million bu; and in 1936 a crop of equal size; namely, 626 million bu was harvested. Of course, we had rather heavy carryover supplies at the beginning of the period, but yet we are trying to point out that a figure of 689 million bu wheat is still very large for mid-season, and unless we dissipate the wheat lavishly in feeding channels, there should be more than enough for all purposes.

We see no reason for Washington to be so excited and confused unless they obstinately figure on clinging to the corn ceiling, which means continued wastage of wheat through unnatural uses. There is certainly no rhyme nor reason for using 486 million bu wheat for feed, as was the case in 1943. We have had periods in the last ten or twelve years during which only 100 million bu was thus used annually, and in fact, the average feeding prior to 1942 was not far above that figure. Thus much could be accomplished if corn prices were placed at the proper relationship with other feeds, so that farmers could get the same returns from selling corn as they could through feeding operations with hogs bringing $14. In other words, this practically means $1.40 per bu for corn, and there appear to be only two ways to get such a price --either through black market operations or by feeding.

We understand that the Wheat Order is being re-written and may be made public within the next few days. At the moment mills are discussing the 80% extraction clause, and there are many arguments against it. However, the government wants to do everything in its power to release as much grain for Europe as they possibly can. By increasing the extraction from 72 to 80%, there may be a saving of 15 to 25 million bu, but on the other hand, this is only "pin" money compared with what could be saved if more corn were made available for feed. When people are starving, as must be the case in Europe, almost any kind of grain would be helpful. As far back as 1897, when this country raised much less grain than at the present time, we shipped 521 million bu wheat, corn, rye, oats, and barley. In fact, at the outbreak of World War 1, we were shipping 519 million bu, but only 335 million bu was wheat, the balance comprising other cereals. Here again, we feel that larger quantities of oats, and even some corn could be shipped to Europe if Washington took the proper steps to help the situation. Of course, with all prices controlled, it is not quite so easy, but the greatest difficulty is that there are great distortions and these have brought about secondary consequences, the chief of which is the heavy disappearance of wheat at a time when it is so urgently needed.

When the visible supply was posted there was a decrease in wheat of 5,647,000 bu, leaving the total in all positions 57 million bu, which is 52 1/4 million bu less than a year ago. Corn stocks increased 3 1/4 million bu, but believe this is due to the fact that some of the industries are strike-bound, and are not consuming what they ordinarily would, so that grain is piling up a little more at terminals. Chicago wheat stocks, which declined 195,000 bu, are down to 777,000 bu. It is quite apparent that for all practical purposes there is nothing here for delivery, or for that matter for consumption.

In spite of this fact there was some selling of May wheat against purchases of July, and on the possibility that the government may invalidate cash wheat contracts, there seems to be less urge to be long the nearby delivery. However, all futures remain at the ceiling bid. Rye prices were weaker, and it seems that the quick break last Saturday undermined confidence. However, part of the weakness here was in sympathy with the lower market at Winnipeg, but trade on the whole was not particularly large.

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CHICAGO, 4 February 13, 1946

At the time of writing this letter, there is no definite information as to the wheat order that is being written affecting the existing contracts of wheat either going into domestic consumption or for export, but we feel that something will probably be announced within the next twenty-four hours. Meanwhile awaiting different Washington decisions, grain circles remain in a rather confused state. There are indications from Washington that if increased prices are granted on manufactured goods to somewhat compensate for the increase in wages that the Cotton Farm Bloc will insist on higher prices for cotton, and if a minimum wage law should be enacted, there will again be a strenuous effort made to bring out the Pace Bill either in its last form or some revised edition. In the past what has been done in cotton has set the pattern for other commodities.

Much propaganda has been released in connection with the government's program to raise the extraction of flour to 80%. A recent release from the U. S. Department of Agriculture starts with the statement: "For a long time modern wheat flour has been losing important values in the milling." They point out that in order to have the flour white and fine, the outer coat of the wheat berry has to be removed, and about seven-eights of thiamine and nyacin, three-fourths of riboflavin, as well as higher calcium and phosphorous contents are removed. In order to have enriched flour the three B vitamins have to be added. While the 80% extraction will now make the flour slightly darker in color, some of the vitamins which have been extracted in the past will remain in the flour, necessitating less artificial use of the three vitamins. On the other hand the announcement of the new flour program has led to an extraordinary demand for family flour, and from information which we can gather, believe there is a fair amount of hoarding on part of housewives.

It has been known to the grain trade for the past two years that the excessive feeding of all kinds to animals with the low ceiling has led to considerable dissipation of grain supplies in the United States. Government authorities have apparently suddenly come to the same conclusion, and it is reported from Washington that drastic government steps may be taken soon to force a sharp cut in poultry flocks, and there is a possibility that an order may be issued forbidding the use of wheat in the manufacture of mixed chicken feeds. Furthermore, there is some talk of limiting the commercial output of "baby chicks." Late last year, the Agricultural Department had urged farmers to reduce their flocks by at least 13% by January 1st and to raise 17% fewer chickens and 10% fewer turkeys this year, but apparently the goal has not been reached, and unless some action is taken it will not be reached as long as feeding is on a profitable basis.

The government weekly weather and crop report states that strong winds on the 5th and 6th of the month caused much blowing of soil in the Western Plains, particularly western Nebraska, Kansas, and the Oklahoma Panhandle, which resulted in some damage to wheat, although small grains in general are believed to be in good to very good condition except in the drought areas. There was some moisture in the western sections of Kansas and Oklahoma over the holiday period but rather light in amounts.

Primary receipts of wheat today totaled 1,422,000 bu compared with 445,000 bu last week, and 547,000 bu comparable day last year. So far this week wheat stocks at Minneapolis and Kansas City show a total decrease of 404,000 bu.

Rye opened higher in response to the strength in Winnipeg May which occurred over our holiday period. However, on the advance selling orders appeared, although later in the session the market received support from statement of Chairman of the Senate Agricultural Committee, Elmer Thomas, asking for reconsideration of proposed ceiling prices on rye. There is still very little interest shown in the wheat pit. On Monday there was approximately 2 3/4 million bu traded, the open interest in the May future declined 820,000 bu, and now stands at 17 1/2 million bu.

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CHICAGO, 4 February 14, 1946.

Just a week ago the President painted a rather gloomy picture of the European food outlook, claiming that a crisis had developed which may prove to be the worst in modern times. "More people", he said, "face starvation and even actual death than in any war year, and perhaps more than in all the war years combined." The Cabinet Members on several occasions have apparently directed the Department of Agriculture to do everything which would relieve this situation and the appropriate agencies of our government are now working on a vigorous compaign to conserve food, but bread in particular. This is behind the Wheat Order now being drafted but which has been delayed for a day or two, as we understand it, due to some legal complications that have arisen, although it is fairly well known what the order will require by way of compliance. A higher extraction of wheat ground into flour from 72% to 80% is a compromise from the original thought that 85% might prove more effective.

The public and the processors are resisting these far-reaching changes because they feel that the saving between now and July will probably not amount to more than about 20 million bu, and that it might be far wiser to cut down our feeding program by increasing ceiling prices for corn. However, the latter is not being entertained at the moment by OPA, despite the fact that the Chicago corn-hog ratio stands at 12.5, which is unchanged for the past several weeks, and compares with about a 10 to 1 ratio in normal times. We have repeated often in these letters, that this added attraction is making it almost necessary for the farmers who have raised corn to feed it to their hogs. The only other alternative to get the proper price for their corn is to sell it through black markets. The same is more or less true with respect to other ratios, even where corn is only a partial ingredient. For example, the feed-egg ratio is 7.02 while the ten-year average for the years 1935-45 was only 6.36. Thus we are having a tremendous consumption, and feeders who do not raise their own supplies are using wheat to such an extent that animals have come to our tables and are eating almost on as heavy a scale as human beings themselves.

For the past several months we have not had a very clear idea as to total exports for the reason that there are so many agencies quoting official figures. Those that we regarded as most reliable came from the Department of Commerce, and showed shipments of 142 million bu from last July to the 1st of January. We have learned, however, from Sanford Evans at Winnipeg that this is not the full story and in reply to an inquiry he made of the Agricultural Economic Statistician at Washington, he had the following reply, which we quote: "At the time The Wheat Situation was prepared in December, when Commerce figures were available only through October and military shipments were very preliminary, exports were estimated at 165 to 175 million bu. As the actual data now becomes available (military relief and shipments to our possessions included in addition to exports as reported by the Department of Commerce), it appears that exports may well exceed 180 million bushels." On this basis we come to the conclusion that if clearances had been approximately 180 million bu, and if winter wheat seedings accounted for 56 million bu, the amount for food, bread, cereals, etc. 270 million bu, total disappearance in these three categories of 506 million bu. Thus it is fair to conclude that with only 689 million bu wheat on hand January 1st, total disappearance for the first six months was 725 million bu, and that about 219 million bu wheat was fed during that period. This, of course, is a tremendous wastage, but in our opinion there will be no relief unless corn prices are raised in order that more corn may come forward from farms if the proper price relationship is restored.

Primary receipts of wheat were 813,000 bu compared with 639,0(bu last week, and 631,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 1,260,000 bu.

The rye market opened very strong, and we believe Senator Thomas' statement yesterday asking for another hearing to inquire as to the possibility of higher ceilings, may have had something to do with it, but at times reactions carried values to below yesterday's close. However, there seemed to be enough buying power to absorb all the liquidation which came into the pit. Considering the price of about $2.15 per bu, we do not regard these fluctuations of 5 to 10¢ per day as unnatural, particularly when viewed percentagewise.

Oats were reasonably strong; there was better commission-house buying, and also some local support.

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CHICAGO, 4 February 15, 1946

Washington is seething with rumors as to impending changes, possibly another resignation of a Cabinet Officer, but in any case the long-awaited wage price policy has been announced by the President. Apparently business will be given a little greater latitude, insofar as profits are concerned, without having to await a six-month period before asking for increases. It was almost a foregone conclusion when labor received a substantial increase that the "hold-the-line" policy could not be maintained, but now that production in greater volume is needed to combat inflation, there seems to be a tendency toward modifying some of the stringent policies in effect in order that industry will be able to seek price adjustments before encountering undue hardships.

All this was regarded as indicating higher prices, and the stock market advanced before the grain market opened, but we quickly followed in line with some buying of rye and oats, this being about the only medium of exchange, with wheat and corn prices still frozen at ceiling levels. Washington expects that the civilian food consumption per capita will be larger in 1946 than in 1945 and may even exceed the 1944 record. Of course, this is somewhat dependent upon crop yields being average, and consumers' purchasing power remaining at a high level, but both of those factors have promise of fulfillment. In spite of heavy exports of meat products, the civilian per capita consumption in 1945 averaged around 132 lbs, and this could be accomplished owing to the fact that our meat production last year was the third largest on record, amounting to 22.6 billion lbs. It was only 2 billion lbs below the 1944 all-time record.

As for wheat prospects, there is little that one can say from day to day except to point out again that through three channels of disappearance: namely, for food, seed, and exports, the quantities do not seem exorbitant but the heaviest drain continues to be through animal consumption, and for the first six months of the crop-year, these animals that have been brought to the table to eat with us have consumed about 219 million bu wheat compared with 270 million bu consumed by our population for food. Such an extravagant program is bound to be serious, particularly if continued for the next six-month period. Then if we should happen to have an under-average crop, the outlook would, indeed, be extremely dangerous. But Washington has been slow in recognizing the emergency and continues to talk of an 80% wheat extraction for flour, which, if successful, might save 20 million bu, which is only a drop in the bucket.

Canada is doing a rather satisfactory job with respect to exporting wheat. During the first twenty-eight weeks shipments have amounted to nearly 211 million bu, which means that the balance available for export and carryover is approximately 203 million bu, In a recent resume of foreign crops and markets, the Department of Agriculture figures that Australia has about 56 million bu remaining for export or carryover. However, an official crop estimate was published yesterday, placing the yield at 140 million bu compared with only 53 million bu a year ago. The carryover from the previous year was 6 million bu, and after allowing 80 million bu for home requirements, we now feel that it is safe to raise the export figure by 10 million bu, or in other words to 66 million bu, although most of the exports will go to Pacific markets.

Primary receipts of wheat amounted to 660,000 bu compared with 872,000 bu last week and 628,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 1,536,000 bu. We expect a fairly large decrease in the visible supply again next Monday; when it is published it will compare with a shrinkage last year of 3 3/4 million bu.

According to Russell's News Service at New York, the government rejected a request for shipment to the United Kingdom on business previously done, and it was believed that 750,000 bu was involved. However, Winnipeg prices were very strong, the May delivery advancing 5¢ per bu, and this prevented sharp recessions here.

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CHICAGO, 4 February 18, 1946

The U.S. Department of Agriculture Wheat Order is being studied by every grain man in this country. The prime purpose, of course, is to provide wheat for export, and to attain that goal and still have sufficient supplies for domestic uses, millers are to receive preference certificates, feed manufacturers are expected to use smaller quantities of wheat, and in general the Order cuts across all contracts which are not covered by preference certificate demand, thereby making available this grain for the most essential purposes. Each week all merchandisers and country shippers must offer their excess wheat to the CCC. However, it is significant that when the government accepts the grain it will be channeled through private trade merchandising facilities. Besides this, Secretary of Agriculture Anderson has announced that he has directed an immediate re-examination of all Department of Agriculture production, procurement, and distribution programs. This was found necessary owing to the increased seriousness of the food situation in war-torn countries and the shortages which have developed in feed grains in this country. We sometimes wonder whether it would not be possible to accomplish more through the open market system, which always brought about the proper adjustment between supply and demand. In a recent article by Mr. Hayek, in the American Economic Review, he discusses these particular issues, and contends that, "The marvel is that in a case like that of a scarcity of one raw material, without an order being issued, without more than perhaps a handful of people knowing the cause, tens of thousands of people whose identity could not be ascertained by months of investigation, are made to use the material or its products more sparingly."

Before our market opened this morning, word came from Minneapolis that trading in May or July wheat in that market would be prohibited except where trades were in liquidation of existing contracts, and apparently it is felt that with the new Wheat Order in force, such action was advisable. Later in the day, we heard from Kansas City that, effective at 11 A. M., there would be no further trading in their May wheat, which was the old-crop future, except for purposes of liquidation. We might call attention to the fact that the Minneapolis July future still represents an old-crop position, which was probably the reason for their taking action on the two futures at one time. Our prices were somewhat lower on rye for the reason that there was a little more bearish feeling with weakness in stocks and rather copious moisture over many parts of the Southwest. The precipitation skipped some of the dry areas in the far west, but yet Dodge City had one inch of rain last night; Garden City, which is in the southwestern part of Kansas, claimed a steady drizzle and still misting, but in any case this moisture came so unexpectedly that it was more than welcome. The point receiving the greatest amount of rainfall was Brownwood, Texas, where nearly 3 inches fell.

The oat market was more or less firm, and unless something is done to raise corn ceiling prices, we presume that there will be a heavier drain on substitute feeds, but in any case with two futures already at the ceiling and the deferred months not far away, nobody has the courage to do much short-selling, and for the moment pressure from the country is extremely light.

When the visible supply of wheat was posted it showed a decrease of 5 3/4 million bu, which leaves the total in all positions 51.3 million bu, or a decrease of 54 1/4 million bu from the stocks on hand last year. The corn visible showed an increase of 2 1/4 million bu but with one of the largest industries still strike-bound, believe some accumulations are taking place. Chicago wheat stocks are down to 679,000 bu, which is certainly small for a market of this size. The U. S. rye visible increased 149,000 bu, although Chicago showed a decrease with just about one million bu left in this market.

The trade was rather dull. Nothing of great importance. There was some profit-taking in rye, but after that market broke several cents per bu support developed, in sympathy with much higher prices at Winnipeg.

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CHICAGO, 4 February 19, 1946

President Truman has expressed his personal anxiety over the inability of the exporting countries to meet world wheat requirements, and this seems to be the basis of the U. S. Department of Agriculture Wheat Order recently drafted. The European tragedy is vast. It is probably difficult to visualize mass misery and the various statistics of calories, tuberculosis rates, or figures for infant mortality are difficult to grasp. Nevertheless, the poor urban population of Europe, and perhaps a quarter of the 400 million people are condemned to go hungry this winter; some may even starve. As a writer for the London Economist points out, the plague spots are Warsaw, where possibly 10,000 people will die of starvation; Hungary, particularly Budapest, where deaths from famine may reach a million; Austria, particularly Vienna and Lower Austria, where the rate of calories is below 1,000 a day. Then, there is the Saar Valley, where children are reported to be dying of hunger; Northern Italy, the Ruhr, Berlin, and most little towns in Germany, where it is proving difficult to keep the calorie rate up to 1,200; Greece, and Western Holland are improving but are still below the full subsistence level. Paris and the larger towns of France are facing a new food crisis. This alone does not tell the story. One person in ten in Poland has tuberculosis, while the figure for Warsaw is one in five. It is rampant in Yugoslavia, and the Czechs say that out of 700,000 needy children, 50% have been discovered to be tubercular. Infant mortality in Berlin has doubled. In Budapest, it has risen from 16 to 40 since September.

Under such conditions, which might be multiplied, it seems entirely fitting that every bushel of surplus grain should be destined for these unfortunate people. Probably half the diet of the Europeans consists of bread, and, therefore, any sacrifice that can be made on this side of the Atlantic would be minor in comparison with the suffering abroad. One of the main wastes, as we see it, is the amount of grain being fed to livestock. We have pointed out in previous letters that it takes about 7 pounds of grain and forage to make one pound of meat. Therefore, when we view North America's production of total meat output, which is 26 billion pounds annually against a pre-war average of 18.6 billion, it is self-evident that we are consuming an extra billion bu grain for animals through these feeding operations. This accounts for a good deal of the grain scarcity, and in our opinion the remedial effects can only be procured through price structure. So long as feeding is so tempting to farmers and grains are held below their true worth, there is bound to be dissipation of wheat and corn that would not be normally experienced. The subsidy, while acting as a salve to the housewife, nevertheless, beclouds the situation to the extent that even bread is held too low. Even here there might be some saving if prices were permitted to reflect the true story. Moreover, the flour subsidy of 31 1/2¢ per bu makes flour cheap to the consumer, and for that reason more attractive with the taxpayer paying the difference between actual cost and the artificial level imposed. While Mr. Bowles is still insistent on price controls, it is nevertheless a stout economic fact that high prices curtail consumption, and even in the past we recall a number of occasions when the trade was agreeably surprised at the volume of wheat which came to light on a rising market.

Primary wheat receipts were 915,000 bu; a week ago was a holiday; last year they were only 545,000 bu. Kansas City and Minneapolis stocks have decreased 370,000 bu so far this week.

Markets were somewhat weaker right from the start. The pessimism from stocks was transferred to grains, and there seems to be a little less inflationary sentiment at the moment, possibly for the reason that Washington is still claiming that the line will be held, even though some bulge has been created.

The oat market, which for several days was strong, showed signs of slight weakening. Even rye yielded some ground, despite a very strong market again at Winnipeg, where new highs on the crop were established. However, rye does not seem to break too easily considering the price, but there is some talk that exporters are inquiring for offers. There is still about one million bu at Baltimore, which may be sold to Europe if permits can be obtained.

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CHICAGO, 4 February 20, 1946

We wish we had the space in this letter to quote in full Secretary Anderson's speech before the National Farm Institute at Des Moines, Iowa, on February 15th. He has such a complete understanding of the grain problems that it seems that he should be the one person fit to suggest corrective measures for the apparent grain shortages that are being created. In his words, "The immediate trouble is that we have built up a system of price relationships favorable to feeding grain to livestock. It was done deliberately because of the need for increased production of livestock products. When this pattern of price relationships was established we were short of meat and we needed more poultry and more eggs....Hogs, as you all know, consume more corn than any other class of livestock, and the shortage of corn is a big part of our present feed supply difficulties. Raising the ceiling price of corn or lowering the ceiling price of hogs would have a quick effect on the consumption of corn because it would result in marketing heavy hogs and feeding hogs to lighter weights. But the government has made its promise to farmers on the ceiling prices of hogs, and only last December the OPA told farmers not to expect an increase in corn ceilings; that the only reason for any advance in corn ceilings would be an increase in parity, which would require an increase in corn prices under the law.

It is our contention that since such great distortion exists between corn and other feeds, corrective measures should still be taken if this is going to help out conditions in war-torn Europe. In his own words, "Final reports from Europe, which were just recently available, show that the supply has turned out to be much smaller than anticipated, especially in the countries that normally depend on imports." In the same speech, he also makes this statement: "American agriculture has been and still is going through a period of swiftly changing demands. Each time demand has changed, price relationships have been thrown out of gear and have had to be revised. Right now we have a problem of wheat shortage and shortage of grain in general, and it brings up new price problems because the shortage, indirectly, is largely the result of existing price relationships." Secretary Anderson is fully aware of the black markets that have been built up, and these he says are based on the desperate need of people to obtain supplies. He has apparently had telegrams from the West Coast, from Colorado, from his own State, to do something about it. In our opinion a higher ceiling price for corn would certainly be a step in the right direction to put an end to bootlegging and elicit transactions, which certainly other governmental agencies cannot hope to condone.

Under the new wheat conservation measure calling for an 80% wheat extraction for flour, the government points out that this will still be more favorable than the percentage in European countries. In Russia, for instance, it ranges from 80 to 96%; elsewhere the lowest figure is 85% for North Africa, Norway, Poland, and The Netherlands; other countries running somewhat higher, and as much as 95% of the wheat berry is used for the manufacture of flour in France.

Primary receipts of wheat were 729,000 bu compared with 1,422,000 bu last week, which was a two-day period, and 452,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 352,000 bu.

There seems to be more encouragement since the recent rains have visited the Southwestern districts. A report from western Kansas yesterday stated that the rain may be worth $50 million, although according to the government weekly there is still insufficient snow covering to protect small grains from severe cold weather in the main wheat belt.

In spite of all this wheat continues to be mostly frozen, both futures and cash, and we see little likelihood of much relief so long as corn is tightly held and continues to move through black markets. With further strength in Winnipeg rye futures, with the July delivery there selling up 5¢ per bu, we had a firm market here again, although volume of trade was somewhat lighter. There was no disposition to sell oat futures, and while the market did not show any major changes, the undertone was mostly firm, and even the weakness in stocks had very little influence upon our grain prices.

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141 W. JACKSON BLVD.

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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 Feb. 21, 1946.

The labor news was a little more encouraging this morning. The various radio commentators were of the opinion that some of the strikes still in progress would soon be settled. This undoubtedly was the cue for a higher stock market, but in addition to this, cotton scored an advance of about 30 points before our market opened, and this apparently was due to talk of reviving the Pace Bill in Congress. As most people in the grain trade know by now, the Pace measure, which has been up half a dozen times before, attempts to include farm labor costs in the parity price formula. We have never been sympathetic to the idea for the reason that labor costs are already included by the very method in which parity statistics are compiled. In other words, when the labor in steel production or the labor for the manufacture of harvester implements advance, the various commodities which farmers buy advance; thus all the different commodities which go into the reckoning of parity, establish a higher index figure for wheat, for corn, and for the other cereals and items affected. However, with everybody trying to get a certain advantage and imploring Washington, first, for higher wages, and then for higher costs, and now for higher agricultural concepts, we have no way of predicting what the outcome may be.

When our market opened it was naturally influenced by these considerations, and rye was about 2 1/2¢ per bu higher, although even a higher parity formula and an advance in rye parity might still make the May delivery of rye look extremely high. There was also an overnight announcement coming from Winnipeg that the Exchange had raised margins on May and July rye on all new transactions to $1.00 a bu. Never in our memory has anything that drastic been done before, but apparently it must be felt that with such small orders influencing the market, it was unsafe at the $2.75 level to have anything less. We could imagine that for ten successive days the price up there might break the limit for a total of 50¢ a bu, if there were any drastic change in the news, or if by scraping the bins a little more appeared available for delivery than is now anticipated. Their weakness caused recessions in our market, although nothing very serious.

According to Broomhall, Australia has withdrawn all offers of wheat and barley to Europe. The same authority stated that the Italian wheat crop might run as high as 220 million bu next summer, which would be an increase of 66 million bu over last year, but still 80 million bu under normal. Canadian wheat exports are keeping up reasonably well, about 4 million bu during the week, for a total of 214 1/2 million bu since August 1st. This leaves just less than 200 million bu still for export and next carryover. Our own shipments may be averaging about 8 million bu weekly, although it is difficult to say since no definite statistics are being furnished, until long after the grain has cleared.

Primary wheat receipts amounted to 900,000 bu compared with 813,000 bu last week and a holiday last year. Kansas City and Minneapolis stocks so far this week show a decrease of 506,000 bu.

Most of the strength in our markets came right after the opening, but when Winnipeg futures declined 5¢ per bu, there was not the same enthusiasm here. Moderate liquidating orders came into the pit, with the results that we finally showed losses for the day. There is a fair volume of trade developing in cotton on this Exchange, and the market seems to be broadening considerably. Today's news that the supporters of the Pace Bill would try to tack this legislation on any important measure which comes up, stimulated some buying, and thus far any attempts to place a ceiling on that commodity have been resisted by the strong farm bloc of the South.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 February 25, 1946.

During the two-day holiday in the United States, Canadian grain markets were open as usual, and Winnipeg rye declined 10¢ a bu, representing the maximum permitted in two trading sessions. This together with the weaker stock market gave us our cue for opening lower, although our rye market held rather firmly, considering a further break today at Winnipeg, where prices again declined to a total of 20¢ a bu during four trading days. In our opinion this is more or less due to technical reactions, with the drop occurring from a very high level. There is nothing bearish in the general grain outlook from point of view of actual stock on hand. As the Department of Agriculture pointed out, supplies of all grains in the principal exporting countries on January 1st were about 15% smaller than the previous year. Wheat stocks, in particular, are 25% less, all of which is due to the increased exports from Northern Hemisphere, as well as to under average crops in the Southern Hemisphere. As a matter of fact, current wheat stocks are the smallest since 1940, and, therefore, it is going to be a great problem to get enough grain into European positions, with hunger and starvation lurking at the door.

We would not find the situation quite so critical if our domestic consumption of wheat were on a more normal basis. It is true that wheat stocks in all four home positions amounted to only 689 million bu the first of the year, but it is also a fact that ordinarily the domestic usage from January to July is about 307 million bu, so if we were consuming normally the problem would be comparatively simple. Unfortunately, the artificial price-ceiling for corn is forcing more wheat into animal consumption, thereby endangering the whole export program. According to a Washington dispatch, Mr. Anderson told a group of people that the February export mark would be missed by about 150,000 tons, (which is about 15%) and he also stated that the March quota would fall down by a much greater margin, with observers guessing that only 50% of the goal would be reached. Apparently it is felt that the export program will be fully maintained during the next crop season, and the Secretary of Agriculture has asked farmers to revise their 1946 production plans in order to contribute further to the critical world-wide needs for food. Specifically requested are goal increases of a million acres of wheat, a million acres of corn in the Corn Belt, and additional acreages of both corn and grain sorghums in other areas; 1,110,000 acres of soybeans, and 100,000 acres of smooth dry edible peas. Since winter wheat has already been planted any increase would have to take place in the spring wheat territory, and each of the four important States is being asked to make every possible effort to increase its former spring wheat goal by 5% or more.

According to Australian reports, they have also increased their acreage goals materially. For this coming season 15 1/2 million acres are suggested, which would be an increase of 4 million acres over last year, and would be almost double the 1944 and 1943 plantings. As has been pretty well publicized, both monsoons in India have failed, and the winter rains have been very disappointing. New Delhi, according to radio reports, has decided to cut the basic daily cereal ration from one pound to twelve ounces.

When the visible supply of wheat was posted, there was a decrease of 4 1/4 million bu; this leaves stocks in all positions 47 million bu, or a reduction of 55 3/4 million bu under that of last year. Corn stocks increased 2 1/2 million bu, but we believe for the same reasons as last week; namely, that the leading industry is still strike-bound, and consumption for the time being is on a reduced scale. There was an increase of 110,000 bu in rye stocks, but we understand that about 140,000 bu of rye is shortly to be shipped from Chicago.

This was very likely the reason for the rye strength in the market and despite the fact that the old crop deliveries in Winnipeg were very weak and closed at the full 5¢ per bu decline, there was considerable support here, and our market made a wonderful showing considering all these factors plus the weakness in stocks.

There is one note of encouragement looking ahead to next year's crops; this has to do with the general moisture situation. The Department of Interior claims that despite recently published warnings that serious dust-bowl conditions are developing in western Kansas and Oklahoma, but measurements of ground-water resources and stream flows in the area, indicate that water supplies are actually in excess of normal at the present time. They add that crop yields in 1946 will depend in large measure on weather conditions during the coming spring and summer months. Still there seems to be nothing in the present situation to justify undue concern. UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Feb. 26, 1946.

A very interesting book has just been published called, THE WORLD'S HUNGER. According to statistics contained therein about 40% of the world's grain is used as seed or is fed to livestock. North America feeds a larger proportion of its grain than any other Continent. Asia, the world's greatest grain producer, diverts only 14% of its production to feed and seed. The reason for this is that human beings are so numerous there in proportion to the amount of grain, that they eat most of it and use a minimum as food for livestock. It may be that the program in this country has become overly ambitious, particularly during the war and in the post-war period, and it is very possible in our opinion that distorted relationships have brought about such a condition. After all, wheat, rice, rye, and other seeds are the basic foods of man. They comprise four-fifths of all the plant food consumed. On a dry basis the world's annual food production is 1,830 billion pounds. Plant foods represent 94% of this total and the highly-prized animal foods only 6%.

On March 1st, the 80% wheat extraction order becomes law, but whether this is going to be the best way to save wheat is still very problematical. Few people could object to inferior quality of flour at a time when European suffering is so vast, but there are other considerations possibly more important; namely, a reduction of 40% in the mill feed offal, according to information received from one of our good friends in the milling trade. This reduction of 40% in the mill feed will, because of the shortage of feed, result in a tremendous increase in whole wheat feeding on the farms and a black market operation for feed purposes which will consume more wheat than the amount the government hopes to save. Practically the same conclusion was drawn by the Baldwin Elevator Company of Illinois, claiming that the recent regulation, instead of encouraging farmers to market their wheat, was having the exact opposite effect, this being due to the fact that mills could no longer insure them of bran and shorts for feed; therefore, they would have to use whole wheat or have it ground.

It is somewhat encouraging to note that weather conditions in Europe have been generally favorable and that especially in Spain, Portugal, Italy, and several other countries, prospects are much better than a year ago. France, whose crop last year was very poor, is expected to produce 50% heavier than last year, while Italian production may be 35 to 40% greater. Nevertheless, Broomhall points out that the yields are still considerably below the pre-war level, but that if weather continues satisfactory for the next four months there will be a much better crop of grain than in 1945. Still heavy imports will undoubtedly be required, and thus it is important that the surplus nations have big yields. While everything points to good average crops in the United States for next summer, it almost takes bumper yields now to satisfy foreign outlets as well as the much heavier domestic consumption, with so large a percentage of wheat going into animal feeding. This in our opinion would be corrected if corn prices were permitted to sell on a proper ratio to hogs. Whether Washington will realize this before it is too late is still questionable, and apparently more concern is given to inflationary tendencies, with the fear that a higher corn level would be only the beginning of similar advances for other cereals. The fact is that higher parity each year automatically brings a higher level of prices but does not correct the maladjustment.

Primary receipts of wheat amounted to 920,000 bu compared with 915,000 bu last week, and 576,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 199,000 bu. Bookings of corn were more liberal with 300,000 bu being reported, but there is less and less activity in the corn pit, with just an occasional spreading order being executed.

Our rye market was intermittently weak and strong, finally closing higher, but it was almost paradoxical that the old crop futures of rye at Winnipeg were 5¢ per bu lower, scoring a 25¢ decline during the last five sessions, while the October was about 5¢ up. However, the spread between the nearby and the deferred months had been far too great. There was nothing to indicate further export trade from here, and the buying looked to be largely by commission houses and scattered.

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CHICAGO, 4 Feb. 27, 1946.

Official Washington is becoming increasingly concerned over the disappearance of our food supplies, and in particular seems worried that wheat stocks are dwindling so fast. We can readily understand this psychology when it is considered that the ten-year average wheat crop in this country prior to the war averaged 740 million bu, and during that time the carryover averaged 243 million bu, so that total supplies on hand at the beginning of the season were 983 million bu. In contrast to this, we have had enormous wheat crops since Pearl Harbor, and these we tabulate below: (MILLION BUSHELS)

YEAR	CROP	CARRYOVER	TOTAL
1941	943	385	1,328
1942	974	632	1,606
1943	836	621	1,457
1944	1,072	316	1,388
1945	1,123	281	1,404
Average-	989.6	447	1,436

Consequently it will be seen that we have improved our position to the extent of 453 million bu on an average for each year's supply of wheat. It is, indeed, a fortunate fact, because until this year our exports were very nominal, and we might not have brought the war to a satisfactory conclusion so quickly had there been crop failures. During all this time we were also raising big feed crops. Yields of corn during the past five years averaged 3,020 million bu vs. 2,339 for the ten-year pre-war average, while the oat crop during the past five years averaged 1,275 million bu vs. 1,013 million bu, the ten-year pre-war average. Thus grains of all kinds were very plentiful, and officials are very busy trying to find out where all the grain has gone.

Before the war our average domestic consumption was only 677 million bu, of which about 479 million bu was needed for food, 81 million bu for seed, and a moderate quantity for feed: namely, 117 million bu. The increases which have taken place since that time are varied. There has been a slight increase for food; the amount for seed has remained almost stationary; during 1944 about 110 million bu wheat went for alcohol, but by far the largest increase was for feed where 470 million bu was consumed. This in our opinion is all due to the lopsided ratio of corn to hogs, which has been a factor for several years. It promises to dissipate anywhere from 400 to 450 million bu wheat again during the current season, because politically it seems inexpedient to raise the ceiling price for corn, although economically it seems wise to do so. Should we finally have bread rationing or wheatless days, such as were experienced after World War 1, we believe that the fault will lie with those who refuse to recognize that the distorted price of corn is creating the added demand for wheat. We all admit that it is a great pleasure to eat meat, but as an example of the extravagance in overdoing this, we point out that North America, with a population of 184 million persons, produce 342 billion pounds of grain, while Asia, with a population of 1,154 million persons, produces only 683 billion pounds of grain, or twice as much grain as is produced in North America, with a population in Asia nearly seven times as large.

Primary receipts of wheat were 763,000 bu compared with 729,000 bu last week, and 433,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 267,000 bu.

Rye was rather firm at the start; there were reactions later, but nothing very serious; possibly a statement attributed to President Truman that American food consumption must be reduced to meet the acute needs abroad, may have been responsible for the early buying. The President is asking for an aggressive program on part of private citizens to help meet the great needs of Europe. He claims that our national self respect and our duties as human being demand that we do everything possible to stop the spread of famine. Winnipeg rye broke 5¢ per bu for the sixth consecutive session. Old crop futures have declined 30¢ per bu in a week.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 March 1, 1946.

The Food Conferences, which have been called by President Truman, are apparently starting at Washington at this time, and it may be several days yet before we learn what program is to be purused. As the Searle GrainCompany points out, the shocked "man on the street" will ask the reasons for this state of affairs, and that the likely answer should be that Europe had one of the worst drought periods in fifty years; also there was a drought in Canada and Australia, in the Argentine and India. Besides that there was the immense devastation by war of European and Asiatic agricultural lands. It is, of course, pretty late to do much for the balance of the present crop-year except as we have repeatedly pointed out --to stop the wasteful feeding to animals and thus release greater quantities of grain for human purposes.

For the season ahead we have raised our goals slightly, and there will be possibly an additional million acres sown to wheat, nearly 70 million as a matter of fact, compared with the recent low point that was reached in 1943 when only 55 million acres were sown. It has also been suggested that Canada would greatly increase her wheat acreage in view of the fact that the shortage of food will go beyond 1946, and will doubtless extend into 1947. Canada is one country that can do this with relative ease. It was only a few years back that 28 million acres were sown to wheat, and now to meet the emergency, she could certainly increase the wheat lands over and above the 22 million acres which had previously been designated for that purpose. The same Canadian authority mentions that some compensation might be given Canadian farmers for the extra seeded acres, or something might be done to give them relief against the additional income tax, but it is felt that on an additional 10 million acres, given a normal yield of 16 bu to the acre, Canada might produce an extra 160 million bu, which would maintain life for an additional 30 million people abroad. Other exporting countries are also thinking in terms of expansion. The Australian wheat crop has been variously estimated between 135 to 150 million bu against a prewar average of 165 million bu. It is figured that there will not be much surplus grain for Europe as the carryover from the previous crop was so small, and while prospective requirements for food are only about 40 million bu in that country, even with reduced feeding they may use 25 million bu wheat for that purpose, and the balance outside of seed will either go into a reserve stock or be exported to the Orient.

There was a little overnight moisture in the Southwest but precipitation was not heavy, and in fact, at a number of places only a trace. A few scattered showers are expected in Missouri but mostly cloudy weather for Kansas and Oklahoma, although we do not believe that further moisture is imperative for the moment; however, it is always welcome at this season of the year. The Kansas State Report issued yesterday was reasonably optimistic on the outlook.

Primary receipts of wheat were 964,000 bu compared with 583,000 bu last year, a week ago was a holiday. Kansas City and Minneapolis stocks so far this week show a total decrease of 477,000 bu. When the visible supply of wheat is posted on Monday it will compare with a shrinkage last year of nearly 4 million bu.

There was very little feature to the trade today. Winnipeg rye prices advanced 5¢ per bu in the first few minutes of the session; this gave us our cue for continued strength. While there was some reaction in Canada, that market had a firm undertone, and as a result there was sympathetic buying here also. We heard, but cannot confirm it, that there may have been some Canadian rye worked for export. This is possibly the reason for their strength of yesterday and today. Oat prices were firm, but trade is at a minimum, and there seems to be no issue at the moment.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 March 4, 1946.

There were some rumors late Saturday that ceiling prices were going to be raised, and some reports claimed as much as 10%, but this proved to be incorrect. The OPA did, however, increase wheat and corn ceilings 3¢ per bu, oats 2¢, barley 4¢, rye 4¢, and grain sorghums 9¢ per 100 lbs. This apparently was a step which they deemed necessary in view of the fact that parity prices have advanced since the original computation was made last spring. It was further stated by both the Department of Agriculture and the OPA that an increase at this time would bridge the gap, so that when new support prices were announced next June, based on parity, prices would be more or less in line, There were all kinds of opinions expressed as to what would happen. Most observers claimed that the increase was "too little and too late." Judging from the amount of grain which has been booked so far, the desired results are not going to be accomplished, and we believe one of the main hopes entertained by Washington officials was to get a greater amount of wheat and other grain moved from farms. The distortion between corn prices and other feeds has not been corrected, and on basis of ceiling prices for the various commodities at Chicago, we again show what the conversion amounts to on a tonnage basis, as follows:

#2 Yellow corn	-	$1.21 1/2	per	bu	equal	to	$43.39	per	ton
#2 Wheat	-	1.83 1/2	"	"	"	"	61.16	"	"
Feed Barley	-	1.26 1/2	"	"	"	"	52.70	"	"
#2 White Oats	-	.83	"	"	"	"	51.87 1/2		"
Grain Sorghums	-	2.91 per CWT			"	"	58.20	per	"

Thus it will be seen that corn is still by far the cheapest feed, and while the price has been increased 3¢ per bu, it is still far out of line with substitutes.

We have called attention in previous market letters to the fact that during the past five years our wheat crop has averaged 453 million bu larger than the ten-year period prior to the war. We have also shown that our corn production was 681 million bu greater than before the war, and that the production of oats was 262 million bu greater. So we did a perfectly wonderful job in providing not only for our home requirements but also for exports. In three crop years from 1942 to 1945, we exported 243 million bu wheat, oats, barley, and rye, but during that same period we imported 499 million bu of those cereals, mostly from Canada. Consequently, it was not only the tremendous production at home but the augmented supply which made it possible to feed animals on such a tremendous scale. Production of meat in 1946 is likely to be moderately larger than in 1945, and more than 40% above the 1935-39 average of 16.2 billion pounds. We can see in a "nutshell" why our grain supply is decreasing at such a lively rate, and it is very doubtful whether the slight increase in ceiling prices will do anything to deter it, particularly since animals are selling on such a high scale, and nothing much is being done about that until next September.

Primary wheat receipts of 2 million bu compare with 3,287,000 bu last week for a two-day holiday, and 911,000 bu last year. When the visible supply was posted there was a decrease of 3,318,000 bu, leaving total stocks in all positions 43,723,000 bu, or a reduction of 55 million bu from last year. A small decrease at Chicago brings the local supply down to 588,000 bu. Also a decrease of 150,000 bu in the Chicago rye stock reduces the supply here to 868,000 bu.

We had very erratic markets in May rye, best prices were made shortly after the opening, and realizing sales after that time gave us moderate reactions with the close not much different from the previous session. There was very little trading in any of the wheat or corn futures, and the same was true of May and July oats. However, the deferred deliveries of oats were considerably higher at the opening in response to OPA ceiling action, but here also liquidation set in, with the result that best prices of the day were not maintained. The close, however, was somewhat higher than Saturday.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 March 5, 1946.

There was very nice moisture overnight, and the weather map in that respect confirmed what the map readers had forecast yesterday. The western sections of the winter wheat belt werenot as much favored as other parts, but, nevertheless, rain was quite general and should be of considerable help, particularly since we are consuming so much wheat at home and are called upon to deliver so much overseas. We understand that former President Hoover has accepted an invitation from the White House to go to Europe to survey the needs of that Continent. We figure that everything that has been said about despair and misery will be fully confirmed when he arrives, and the great problem in our opinion is to solve the question for the sake of humanity. In an emergency such as is being experienced, we believe that a higher flour extraction and possibly a smaller consumption of food by our people will help, but this is all a drop in the bucket compared to what might be saved if there were drastic curtailment of feeding. Livestock herds must be reduced, because the European demand can be met only if all the exporting countries feed less grain to animals. It is our thought that no matter how difficult the decision, we must rule that animals and not human beings should be the ones to suffer. It is, of course, true that where wheat is fed on the farm on which it is grown, it may be difficult to discourage feeding, but in other directions strong measures can and must be undertaken.

We had a period just a few years ago when the groups were almost beside themselves worrying about surpluses. They subsidized wheat for feeding; they offered subsidies to get wheat into exporting channels, but now it seems they have gone to the other extreme and are asking for drastic curbs in order to conserve supplies. A Famine Committee has been appointed. News from Washington mentions that an order is being written similar to the War Food Order #144 covering wheat, limiting inventories for all grains; also, the issuance of a preference certificate in order to bring about better distribution. The "man on the street" who reads all this is confused. He realizes that when we entered the war graneries were full; livestock numbers were increasing; volume of milk was up; production of food was at peak levels. We had record production of food grains, feed grains, hay and forage, fruits, commercial vegetables, oil seeds, sugar and syrup crops; also beans and peas were plentiful. Nature was provident all during the war period. Our exports of grain were moderate, but certainly inconsequential compared with what we shipped during World War 1. As we pointed out yesterday, from 1942 to 1945, shipments of wheat, oats. barley, and rye amounted to 243 million bu. During the same period imports were twice as large. During the four-year period, 1915-18, inclusive, we exported 1,564 million bu wheat, corn, oats, barley, and rye; in other words only about one-sixth as much grain was shipped abroad during this war as in the previous one, all for the sake of increasing our meat supplies. Again we point out that it takes approximately 7 pounds of grain and forage to produce one pound of live-weight meat. However, when starvation stalks at the door, (and we have had pitiful letters from our friends overseas with whom we formerly did business) it is time to call a halt and recognize the seat of the trouble rather than to avoid fundamental issues.

Primary receipts of wheat today were 1,364,000 bu compared with 920,000 bu last week, and 541,000 bu last year. Stocks so far this week at Kansas City show a decrease of 165,000 bu.

Our rye market was rather erratic and nervous; the trade seems to be somewhat smaller. Oats were reasonably firm, and we understand from the corn belt that farmers are not going to sell, because they are still hopeful of further ceiling advances. The recent adjustments in grain ceilings are said to be in conformity with legal requirements. A certain cushion had been established for parity expansion, and when it was used up higher ceilings became necessary. We understand that there is again some provision for further parity advances; therefore, we cannot tell when the next change may be announced. Secretary Anderson said that we shall have to work very hard in April, May and June to reach the 6 million ton export goal, but there would be very little use in shipping wheat after June.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 March 6, 1946.

Growing conditions were very poor in some parts of the world this past year, unfortunately it came with the ending of the war which opened up war-ravaged areas badly in need of food relief. Outside of North America, particularly the United States, there were very few places which enjoyed good crops. We, however, had the largest wheat and oat crops ever raised, as well as one of the five corn crops over 3 billion bu. With this season already half gone we have found at home that we have cut into our supplies very heavily, so that we are finding it very difficult to continue to relieve distress on the scale which we had planned. The world wheat crop was a couple of hundred million bu under normal requirements, exclusive of Russia and China. India also has prospects for a poor wheat harvest this spring. The meat production is estimated at about 10% less than pre-war average, with the shortage mostly in Europe. The world's rice crop, including Asia which is the largest producer and consumer of this commodity, is also 10% off from pre-war years.

Argentine, which country is normally a big shipper of food, has found itself with small surpluses; Australia also has only a moderate crop following one of the severest crop failures. Thus, the burden rests on North America; while Canada is fully up to her average shipments, the real task rests with the United States.

European crops are said to be coming along well this winter on a larger acreage, but yet production is expected to be much less than normal. No doubt great strides will be made in spring sowings to help make up the deficiency. However, it will take longer to build up meat supplies, so meanwhile they will have to continue to import larger quantities of substitute food. North America, undoubtedly will continue to be their main source of supply, as the next crop from the Southern Hemisphere could not reach Europe much before a year from now, and Australia will concentrate largely on shipments to the Orient.

We note with interest a statement by our Department of Agriculture as follows: "Normally, European countries, exclusive of the Soviet Union produce over 50% of the world's rye crop. The Soviet Union produces most of the balance." They go on to show that European rye crops are only about two-thirds of normal, and they remark, "Rye production in Soviet Russia, on the other hand, is estimated to be the largest for any of the war years. It is also estimated to be larger than the pre-war average. The increase in that country is attributed to expanded rye acreage." While we feel sure transportation is very poor in Russia, impeding proper distribution, the fact that they have made such rapid strides in the first year after the end of hostilities, raises the thought as to how much grain they will produce this year, and whether they can supply same to other European countries.

The overnight weather news was very encouraging, as there were reports of 1/4 to 1/2 inch of rain in sections of the Texas and Oklahoma Panhandles in about the same places which had been visited with good moisture several days ago. There was also precipitation farther north in sections of Colorado, Nebraska, and northwestern Kansas which reported several inches of snow. with one spot reporting up to one foot. This latter area had been dry as it was missed by the former moisture. Coming just at the start of the growing season, it is very hopeful, and it seems that nearly all the important areas have now had relief.

Our markets seemed to be affected by news emanating from cotton circles, with talk of requests for higher margins, and talk of some price control on cotton which heretofore had been exempted.

Our rye and oat markets developed weakness, and the former closed down the 5¢ permissible fluctuation for the day. In oats, scattered selling came into the July, together with some pressure in September. Minneapolis July later sold slightly under the ceiling price. This in turn affected the feeling in our market and before long all orders in July ~~rye~~ oats at the ceiling were filled, and continued pressure brought that market down further.

Primary receipts of wheat were 968,000 bu compared with 763,000 bu last week, and 577,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 315,000 bu.

UHLMANN GRAIN CO.

WARREN H. WRIGHT
GRAIN EXPORTER
ADDRESS: P. O. BOX 1
NEW YORK - CHICAGO AND MINNEAPOLIS
CHICAGO REPRESENTATIVES

DAILY MARKET LETTER

UNITED GRAIN COMPANY
TELEPHONE HARRISON 0882
141 W. JACKSON BLVD.

[illegible]

[illegible] past year, unfortunately it came with the ending of the war. [illegible] operated up war-ravaged areas badly in need of food supplies. [illegible] of North America, particularly the United States, there were [illegible] places which enjoyed good crops. We, however, can say [illegible] be over 3 billion bu. [illegible] crop, [illegible] and at home that we have not been [illegible] very lucky, so that we are finding it very difficult to [illegible] on the scale which we had planned. The world's crop was a couple of hundred million bu under normal [illegible], excluding of Russia and China. India also [illegible] harvest this spring. The world's production is [illegible] than pre-war average, with the exception of [illegible] world's rice crop, including Asia which is the [illegible] consumer of this commodity, is also 10% or more pre-war [illegible].

Argentina, which country is normally a [illegible] exporter of [illegible], has found itself with small surpluses; Australia also has only a moderate crop following one of the [illegible] crop failures. Thus, [illegible] rests on North America; while Canada is fairly up to her average shipments, the real task rests with the United States.

European crops are said to be coming along well and [illegible] on a larger acreage, but yet production is supposed to be much less than normal. No doubt great strides will be made [illegible] to help make up the deficiency. However, it will take [illegible] to hold up meat supplies, so meanwhile they will [illegible] to continue to import larger quantities of substitute [illegible]. North Africa, [illegible] will continue to be their main source of [illegible], as the [illegible] crop from the Southern Hemisphere could not reach [illegible] a year from now, and Australia will concentrate [illegible] on shipments to the Orient.

[illegible] as follows: "Normally, European consumption, including [illegible] the Soviet Union produces over 50% of the world's rye crop. The Soviet Union produces most of the balance." [illegible] to the [illegible] that European rye crops are only about [illegible] normal, and they remark, "We production in Soviet Russia, as the [illegible] is estimated to be the lowest for any of the war years. It is also [illegible] to be larger than the pre-war average. The increase in that country is attributed to expanded rye acreage." While no [illegible] sure transportation is very poor in Russia, requiring proper distribution, the fact that they have made such rapid strides in the right direction after the end of hostilities, reduce the [illegible] as to [illegible] they will produce next year, and whether they can [illegible] other European countries.

The overnight weather news was very encouraging, as there were reports of 1/4 to 1/2 inch of rain in sections of the Texas and Oklahoma Panhandles in about the same places which had been visited [illegible] good moisture several days ago. There was also considerable [illegible] further north in sections of Colorado, Nebraska, the northwestern [illegible] which reported several inches of snow, with one spot reporting [illegible] to one foot. This latter area had been dry as it was missed by [illegible] moisture. Coming just at the start of the growing season, [illegible]

[illegible] seemed to be affected by news coming from [illegible] talk of requests for higher margins, and talk of [illegible] which Roosevelt had been exploited. [illegible] the developed weakness, and the former [illegible] fluctuation for the day. In corn, [illegible] d slightly under the opening [illegible] in our market and before [illegible] fill, and concluded

DAILY MARKET LETTER

MEMBERS:
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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 March 7, 1946

During the war period our farmers met the agricultural challenge, and with Nature on their side we have been able to supply all the food necessary for our own well being. We also shipped large quantities to our armed forces and helped supply needs where other countries, through inability or adverse weather conditions, could not provide enough for necessities. We were blest by large yields per acre, with wheat yields running nearly 3 bu better than normal, and the increasing percentage of hybrid seed corn gave us four crops in a row over 3 billion bu; also, expanded soybean production provided much needed oil and helped greatly in feeds. There were big hazards in shipping to foreign countries; vessel space was at a premium, and we designed our food output accordingly, keeping feed ratios at a very high basis, which was designed to produce concentrated food. Unfortunately, in planning this past year, the same methods prevailed. This was a miscalculation but was probably partly designed because of price control. In any event it has brought serious consequences. It is to be hoped that the pattern will be changed, so that there will be relief at least in the most stringent price controls in order that distribution of coming crops will follow more normal trends.

Our winter wheat crop last December was estimated at 751 million bu for the 1946 harvest. It is interesting to note that in most years when we have satisfactory growing conditions, the harvest is larger than the December estimate. As we consider we have had a satisfactory winter, there is reason to think that we will at least meet the December estimate. The following table shows the December estimate as compared with final crops, and in only one year out of the seven did we finally produce less than estimated:

	ESTIMATE IN DECEMBER				CROP HARVESTED IN		
1944	761	million	bu	1945	823	million	bu
1943	526	"	"	1944	758	"	"
1942	624	"	"	1943	531	"	"
1941	630	"	"	1942	696	"	"
1940	633	"	"	1941	670	"	"
1939	399	"	"	1940	588	"	"
1938	485	"	"	1939	569	"	"

The Department of Agriculture has asked for increased acreages, even over those recommended earlier in the season. Now they would like to see 69,875,000 acres wheat both for winter and spring as compared with last year's sowings of about a million less; 97,760,000 acres corn as compared with 92,867,000 planted in 1945; 10,700,000 acres soybeans as compared with 10,873,000 acres sown last year, but only 9,590,000 recommended earlier. For the oats acreage they ask no change from earlier, which was slightly larger than 1945. The same is true of barley, but when we come to rye, the sown acreage is so small that the only hope of increased production would come from farmers leaving a larger percentage standing for harvest. Corn seeding has changed so greatly that, provided we have a normal growing season, we should be able to count on a large crop. Back in 1939, the percentage of hybrid seed used throughout the country was 22.5. It has increased successively from 6 or 8% per year until last year it was 64%. The most important corn States already use about 100% hybrid seed. In oats, better varieties are used and resulted in last year's yield of 37.3 bu per acre vs. the ten-year average of 29.6. Part of this, of course is attributed to the excellent weather.

In all, there is some reason for optimism at this time, because soil conditions are generally satisfactory.

Primary receipts of wheat were 1,181,000 bu, or about double last year. So far this week stocks in Kansas City and Minneapolis have decreased 681,000 bu.

Pressure continued in our futures, with December wheat selling 1/2¢ under the ceiling, and September and December rye also breaking the deadlock. Oats continued their downward trend with rather liberal selling at times.

While the order on coarse grains is not issued, there are beliefs that if it follows the pattern of wheat, which includes long futures as part of the inventory along with cash grain, it would lessen the desire on part of many to hold futures. On the other hand, short futures as a hedge against cash grain are not considered offsetting inventory stocks.

UHLMANN GRAIN CO.

[illegible]

[illegible] CHICAGO [illegible] 7, 1943

[illegible] the past month our farmers met the agricultural challenge [illegible] on their side [illegible] to supply all the [illegible] for our own well being. We also shipped large quantities [illegible] forces and helped supply needs where other [illegible] through inability or adverse weather conditions, could not [illegible] enough for themselves. We were blessed by large yields [illegible] with about yields nearly 5 to better than normal. [illegible] increasing power of hybrid seed gave us four crops [illegible]

[illegible] critical shortage in feeds. There were days when [illegible] shipping to foreign countries. Most [illegible] was at a crucial [illegible] desired our local [illegible] feeds, [illegible] from [illegible] [illegible] high yields, which [illegible] conscientiously [illegible] [illegible] in producing [illegible] year, the [illegible] [illegible] was a [illegible] but [illegible] [illegible] [illegible]

DAILY MARKET LETTER

MEMBERS:
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CHICAGO MERCANTILE EX.

March 8, 1946.

With the talk of grain shortages in this country and with Washington deeply concerned over our ability to meet export goals, it is naturally going to create repercussions in the other exporting countries. In Washington the government is pushing its program into high gear to help save enough food for foreign relief, and already the restaurants are serving only one slice of bread to customers. We understand that operators of restaurants, hotels, and dining cars will shortly meet with Mr. Anderson to determine what the menu will be during the next few months. It has been suggested by various grain men that while this would all be a step in the right direction, the greatest saving could be accomplished if fewer animals were fed, and that likewise if corn were permitted a proportionate price increase so that a smaller quantity would go into black markets, possibly less wheat would be needed for animal comsunption.

In view of all this the Australian Minister of Commerce and Agriculture has appealed to every Australian wheat grower to plant wheat to the limit of his capacity in the coming year. Furthermore, in order to provide more wheat for export an allocation of 30 million bu has been set for stock feeding but will probably be cut further. There also seems a strong possibility that Canada will urge an increase in wheat sowings in order to take care of European relief. While such measures will be a temporary help, we also have in mind that it was those increases after World War 1 which finally gave us our problems with respect to overproduction as soon as European crops became more normal. Canada has done a fine job in marketing grain, and since August 1st, 228 1/2 million bu wheat and flour has been shipped, which still leaves about 185 million bu available for export and next carryover. Clearances during the past week amounted to about 7 million bu, or almost as much as we have set for our domestic goal.

The gravity of the world wheat situation is being emphasized from all sides, and we presume that the present hearings before the Pace Committee are preliminary to Sir Ben Smith's visit to the United States. It was pointed out recently by ex-President Hoover that whatever aid we could give Europe must be accomplished in the next few months prior to the time that European crops are ready for harvest Canada apparently realizes this situation equally well, having offered to ship her entire wheat surplus in the present cereal year, provided the prospects for the 1946 harvest are favorable. Australia has made an immediate decision to ship abroad 5 million bu wheat that had previously been allocated for feeding purposes, although a good part of the Australian surplus will be needed for Malaya, Borneo, Indo-China, India, and the Middle East. As Broomhall points out, "The world requirements of wheat today are very large, possibly larger than ever before. Reserves of wheat in liberated countries were exhausted before the war ended; very small crops were obtained throughout Europe in 1945; most of the Burma rice surplus is still lost to importers and the monsoons and winter rains have failed in India. We know also that shortages have been aggravated by unwise controls and the withholding of stocks by farmers."

Primary receipts of wheat were 1,198,000 bu compared with 964,000 bu last week, and 525,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 850,000 bu. When the visible supply is posted on Monday it will compare with a shrinkage last year of 3 1/2 million bu.

The overnight weather was really all that one could have asked for. Western Nebraska received good precipitation, and other western sections of the winter wheat belt were also favored. The outlook has certainly improved during the past ten days. This all tended to create a somewhat bearish sentiment, and we believe an amendment to the Wheat Order calling attention to the fact that inventories of processors would have to include futures contracts to the extent that they call for May delivery may have caused some liquidation. Thus, there was general easing all the way along the line, with considerable trading in some futures which had heretofore been pretty tightly frozen. September wheat declined 2¢ per bu.

Oats were quite weak, and if there is going to be encouragement by higher prices in order to stimulate corn acreage, we would not be surprised to see still lower prices for oats.

Rye held rather firmly during the first part of the session, but later on yielded ground, and the May future closed several cents per bu lower. The deferred months, however, were more stubborn and closed at the new-crop ceiling levels. UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 March 11, 1946.

When we look at the total domestic supply picture of wheat during the past five years, and note that the crop and carryover averaged nearly 1 1/2 billion bu, it is difficult to conceive that even under favorable auspices we are going to repeat any such performance in the year ahead. First of all, with the big demand from Europe and the much-heavier-than-usual amount of wheat which will be fed, our carryover stock is going to be greatly reduced; and secondly, there is every indication that while winter wheat prospects are favorable at this writing, it is hardly likely that the 1945 record of 1,123 million bu for spring and winter wheat will be repeated. Nevertheless, we are not pessimistic over the outlook for the reason that very likely European crops will turn out better than last year. Furthermore, with the rest of the world, and particularly the exporting countries, likely to increase acreages, the demand from the United States may not be quite so important one year hence. However, there are other avenues of disappearance, and when we consider that the average consumption of wheat for feed was only 117 million bu in normal times, and that it rose to 486 million bu two years ago, and to 275 million bu last year, one naturally wonders how long we can afford such luxury. In the current season, we should not be surprised to see 300 to 400 million bu wheat consumed by animals unless something is done with respect to raising corn prices and thus putting that grain on a more equitable basis from point of view of the feeder.

Consequently, there are still many uncertainties, but we are thoroughly convinced that Washington is recognizing more that the strong demand for livestock feed is due solely to the favorable price ratios, and that something must be done to counteract this. Hogs recently marketed have averaged about 20 pounds heavier than a year ago; in fact, heavier than any other year on record. Feeders have been willing to use relatively high-priced wheat or mixed feed containing wheat in comparatively large quantities, but under the recent Wheat Order, which became effective February 18th, limitations are placed on the quantity of wheat which is to be used in mixed feeds.

Stocks of corn on farms and at terminal markets were about 9% smaller on January 1st than a year earlier, and the smallest for that date since 1939. The disappearance of corn grain in the quarter from October to December was one of the largest on record, and 11% greater than a year earlier when the number of grain-consuming livestock on farms was about the same. This again showed that the rate of disappearance was attributable to the large number of hogs in the corn belt being fed to heavy weights, and doubtless if the farmers could have gotten the proper price for their corn by marketing it and not having to sell it through black market channels, it might have made a difference in our whole feeding program. Thus the tight corn supply situation has had tremendous effects all along the line, and has given us an intensive competition for substitute grains.

Primary receipts of wheat were a little smaller than last week but almost twice as heavy as last year. However, when the visible supply was posted, there was a very sharp decrease amounting to 5 3/4 million bu. T his leaves the total stock only 38 million bu, or a reduction of 57 1/2 million bu from the amount on hand last year. Chicago actually has less than half a million bu wheat, and we believe with the heavy demand from Europe that terminal stocks will be largely depleted.

In spite of this there was some selling of July wheat, and for a time it eased from the ceiling level but the May wheat remained frozen, and apparently bearish sentiment prevails only with respect to new-crop futures.

There was some selling of oats but after the recent declines there was likewise a considerable amount of short covering and prices rallied moderately. Trade in rye was mixed but the undertone was firmer, and it seems with Chicago stocks being constantly reduced and only 714,000 bu here, the May future is still a very uncertain affair and nobody can predict what the final outcome will be.

There was some trading in the deferred futures of rye, but at the close ceiling prices were bid.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 March 12, 1946

President Truman's Famine Emergency Committee has asked Americans to eat 40% less wheat and 20% less fats in order that we may send heavier supplies to the hungry peoples of Europe. He has suggested thirty-nine ways of bringing about these economies. When we look at the record of wheat production during the past five years, and note that the yields averaged practically one billion bu, it is rather difficult to conceive why we should have either an emergency or a famine at this time. As we pointed out in previous letters, our exports of wheat, oats, barley, and rye from 1942 to 1945 amounted to only 243 million bu, or, roughly, one-sixth as much as we exported during World War I. Furthermore, we imported during that three-year period nearly 500 million bu, or twice as much as was shipped from these shores. Therefore, we feel compelled to emphasize again the simple fact that too much grain, and wheat in particular, was being fed to livestock in an effort to give the American consumer a better diet. We are not trying to belittle the plan that is being recommended by our government to make more grain available for Europe, but as some of our most eminent economists have pointed out, the American consumer cannot reduce his consumption of wheat to any considerable extent. If he did he would have to substitute other foods for wheat. As a matter of fact, most other foods are more expensive and even less plentiful than wheat, "the staff of live" both in Europe and in the United States. However, American livestock can and should quickly reduce consumption of wheat. As these men in our agricultural schools point out:"Wheat should never be found in the feed trough when there is any likelihood that it will be lacking in the bread box. Livestock are a wasteful means of converting cereal grains into meat. It takes about seven pounds of cereal grain, including forage and pasture, to produce one pound of dry matter in the form of meat." Our feeding program, which was conceived as a means of surplus disposal, has been continued far too long, and at the eleventh hour we have found that we cannot feed any large segment of the hungry world on scarce and expensive livestock products; therefore, we must turn to wheat. This decision, according to our same authorities, comes after our wheat stocks, which were the hope of a hungry world, have been poured into the feed troughs to raise the protein intake of the American consumer.

It was reported yesterday, and confirmed this morning by Broomhall, that Russia was planning to furnish rather large quantities of grain to France. Some estimates run as high as 37 million bu, which, of course, would be a great help at a time when only North America is furnishing the largest part of European requirements. We have also been informed that nearly 50 million additional acres will be sown in Russia to wheat, and while this seems incredible nobody can be sure when proper incentives are offered what is possible in a country that has such an enormous population and such an enormous acreage available for cultivation. Stimulating prices for food and for munitions worked here in time of war and got us what we wanted, and possibly will do the same for Russian agriculture at this time. After all, price is merely a symptom but it has far-reaching controls. When prices are fixed so that they no longer record fluctuations in the economic temperature of a nation, it is not possible to cure economic ills or even to allow a proper diagnosis.

Primary receipts of wheat todaywere quite good, amounting to 1,443,000 bu compared with 1,364,000 bu last week, and 567,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 93,000 bu.

Trade was moderate in the various pits. July wheat was offered at the limit on several occasions; in fact, sold a shade below it, but there is no pressure as yet, and it is generally conceded that carryover stocks will be very light when the new movement gets under way. There was some covering in oats, but likewise selling by northwestern interests; therefore, a mixed trade. At times rye was very strong in sympathy with higher prices at Minneapolis, but liquidating sales reduced early gains, and the close showed but small net changes.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 March 13, 1946.

While we are discussing food shortages in this country and the possible remedies, such as wasting less bread and serving sandwiches without a cover, other civilized nations are having much greater worries. In fact, the recent debates in the British House of Commons ended with the reluctant acceptance of shorter rations owing to the fact that more needy peoples on the Continent had to be kept from starving. The re-appearance of dried eggs in England, the prospect of more fish, and the extra variety in diet which will come from canned fruit and tomatoes are apparently keeping up the morale in England at a time when the outlook for the coming months is more than gloomy. However, the world must view with realism the circumstances which have brought about the present crisis. Many of these factors were unforeseeable, and, therefore, we doubt whether too much blame can be placed on our shoulders for having fed as much grain as we did to animals in an effort to obtain a better diet for our own people. Nevertheless, we had the unhappy accident of bad harvests in Southern Hemisphere this winter, plus the additional tragedy of crop failures in the East. Normally these eastern countries are very largely self-sufficient with respect to food. They have never really entered the international food market on a considerable scale, and even when there were periodical shortages, the task of transporting was so formidable that it cut down the actual supplies which went into that particular traffic. As the London Economist points out, "Famine in Europe and famine in the East can best be regarded as the coincidence of two disasters rather than as two aspects of the same calamity."

While fully cognizant of conditions that presently confront us, we believe that the whole world is just as vitally interested in what the future holds forth. In other words, is the world going into a long period of chronic shortages of food? Will the supply for a number of years ahead be less than the effective demand for it? For nearly twenty-five years between the two great wars, we had one agricultural crisis after the other, and much was heard of unsalable surpluses, but in our opinion a good deal of this was due to under-consumption and the fact that artificial influences did not permit grain to move into the usual channels of trade. Europe, zealous of not being swamped with imports, protected herself through high tariffs and foreign exchange regulations, and thus encouraged home production on a vast scale. After World War 1, it took a full decade before production was up to the pre-war level except for one or two exceptional years. This time while the destruction is greater not only in agriculture, but in industries which supply farm implements and fertilizers, yet countries like Germany, which will not be permitted to become commercial on the same scale as before the war, may indulge more and more in agricultural pursuits.

Primary receipts of wheat amounted to 923,000 bu compared with 968,000 bu last week, and 471,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 292,000 bu.

There was considerable firmness in wheat; in fact, at one time the September delivery went to the ceiling, although was not bid there. It closed 1/4¢ from the maximum, but there was some buying by eastern interests, and for the moment there seems to be practically no pressure whatsoever. Occasionally we experience some short selling because of favorable weather conditions, but on the other hand the Department of Agriculture now figures that the carryover of wheat on June 30 is likely to be down to about 154 million bu, or about average of the pre-war days. Thus, it is almost imperative that we raise another billion bu crop if we want to continue heavy exports and even moderate feeding.

Rye was intermittently weak and strong, but finally closed near the best levels of the day, and there was a little friendlier feeling all around.

Oats were likewise strong, and the fact that the cash market never yielded ground is causing some concern among shorts in the deferred months.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 March 14, 1946

The President's Famine Emergency Committee has been fully occupied, and while in a general way the press has stated the economies which are to be sought, yet all of the various items have not been put into effect yet, and we understand that amongst other recommendations for conservation are those to the baking industry where the loaf of bread will be reduced by about 10%. In other words, wherever it is practicable the bakers are going to feature a smaller-weighted loaf, and also there is a provision that the slice is to be thinner in order to make the bread actually go further. It has also been suggested that partial loaves are to be sold, but this we understand is somewhat impractical because after it has been cut, there is a certain amount of wastage due to its keeping qualities. We have also been told that another handicap being encountered is that the bakers are unable to purchase the smaller pans for baking the new loaf, and some of these materials are still scarce, but in any event every means is being taken to avert hunger, and according to the Committee, we cannot fail to meet this call; otherwise, they say, "We shall see a world of disorders which will paralyze every effort at recovery and peace. We shall see the death of millions of fellow human beings."

In the meantime the government has given us the January exports of wheat and flour, claiming that 37 1/2 million bu in wheat equivalent has been shipped, and thus our goal was attained for that month. It is also thought that February will come up to expectation, but that from now on there may be some difficulty in getting these large amounts from this country. As near as we can tell, in thirty-six weeks of the crop year, about 260 million bu wheat and flour has been shipped. It is still almost impossible to have very definite views on the subject for the reason that the Department of Commerce figures for the first six months are considerably out of line with the Department of Agriculture's statement that for the first half of the year, we had shipped upwards of 180 million bu. On the assumption that during the remaining sixteen weeks of the crop-year, we cleared 7 million bu per week, it would mean 112 million bu, or a total for the season of about 372 million bu. This in itself would not be too great a burden on basis of a total supply position of 1,414 million bu, including small imports from Canada, but the great difficulty it seems is that the disappearance through animal feeding has been much larger than necessary, and having two such unusually large demands even bumper crops disappear quickly.

According to Sir Ben Smith, the British Minister of Food, it will take about three years to overcome the present shortages and build up normal reserves. He is particularly pessimistic about the present situation, claiming that whatever is done there are going to be people who will die of starvation before the next harvest. The CCC, according to Washington gossip, is disappointed in not getting heavier offerings of excess wheat under the new Wheat Control Order. Some believe that unless the quantities increase that the government may draw upon wheat inventories of millers in order to supply the immediate needs of Europe.

Primary receipts of wheat amounted to 1,365,000 bu compared with 1,118,000 bu last week, and only 505,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 590,000 bu.

Shortly after the market opened enough September wheat was taken out of the pit to carry it up to the ceiling price bid, and after that buyers unable to cover commitments in the earlier deliveries bought December, with the result that all four futures became frozen. There may have been a little trade after that time but in any case the volume was very small.

In oats there were further recessions, and there is a feeling that this is the one cereal in which the carryover supply at the end of the season is apt to be very large. At the moment, however, anyone taking a short position bases his calculations entirely on a change in future events.

Rye was quite erratic but finally showed a tendency to ease on a report that exporters had sold some rye back to Minneapolis, thus weakening the premium in that market. It is our understanding this rye was originally bought for mixing purposes but was not needed to bring the quality up.

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CHICAGO, 4 March 15, 1946.

There was some moisture reported in the Southwest, and while it was not particularly heavy it seemed to be quite general, so that this together with a forecast for further precipitation was rather encouraging. We are getting better reports from the various States, and this morning the Oklahoma Weekly Bulletin comments that conditions were favorable for the growth and development of wheat, oats, and barley. Rain and snow early in the week improved the moisture situation, especially in the westernarea. We also saw a private report from Lincoln, Nebraska, claiming that there had been rain in the western, southwestern, and southern portions of the State, and the report added that rain or snow was predicted for western and northwestern sections tonight; also, that the temperatures would be in the 30's over the State. Thus we can feel hopeful that a winter wheat crop of 750 million bu is possible at the present time, but on the other hand it is almost essential that we have a total production of about a billion bu if we want to continue heavy exports and still intend to carry on even a moderate feeding program.

The writer of these letters, who had been invited to attend a Congressional hearing last week on food shortages, testified that in normal times we fed only about 117 million bu wheat each year. Two years ago this figure was increased to 486 million bu, which was actually more than the amount normally used for human food, and even last year the figure was 275 million bu, indicating that the disappearance is more than heavy if we hope to fulfill export goals. Nobody can definitely state what the quantity will be during the current season, but on basis of the usage for the first six months it is quite likely that from 325 to 350 million bu will be thus consumed. Professor Schultz, formerly at Ames, Iowa, in the Agricultural Department and now stationed here inChicago,predicted that we have not seen the worst of the food shortage, and that the darkest days will appear six months from now. In common with almost all other students of the situation, he recommended an immediate liquidation of livestock to keep grain from going into excess feeding. Almost everyone who has appeared recently in Washington was of the opinion that this was essential because all other forms of economy, while helpful, would not bring about the desired results. It is generally estimated that a higher extraction of wheat into flour might save from 10 to 20 million bu, and that likewise an equal saving might be brought about through less eating of bread, but the heaviest drain is through the unnecessary amounts of wheat going into animal consumption, and probably the quickest way to bring relief in this direction would be to establish corn on a basis more in line with other feeds. This might mean an advance of 25 to 30¢ per bu, and apparently is distasteful to OPA, but yet when human beings are dying of starvation, price policies should be given second consideration. This is especially true because of the distorted relationship of corn to oats during the base period, and there is certainly no earthly reason why corn should sell in Chicago at $43.39 a ton, while oats bring a price of $51.88. Hardly ever in history has there been such an antithesis in price structure.

Primary receipts of wheat were somewhat smaller at 909,000 bu compared to 1,158,000 bu last week, and 480,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 715,000 bu. When the visible supply is posted on Monday we expect another fairly large shrinkage; in fact, before the movement of new wheat we expect reserves at terminals will be down to very small proportions. A year ago the visible supply decreased 3,105,000 bu.

Trade was comparatively lighter than in recent days. There was some early liquidation in rye, but no particular news except the fact that each day brings us closer to next year's ceiling level of $1.48 1/2. There was some selling of oats by the Northwest, and we believe that while the country is selling only on a limited scale, there is still a large percentage back on farms. Also if we get a normal crop in this country and the same in Canada next year's picture may look entirely different.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 March 18, 1946.

Ex-President Hoover left yesterday for Europe, and it is expected that he will probably visit the various European countries which have asked for aid. It is doubtful whether he and the delegation will go to Russia owing to the fact that the latter country is apparently not in dire straits, as seems to be the case elsewhere; in fact, The War Shipping Administration has offered to provide Russia with Liberty-ship tonnage to move 500,000 tons of wheat and 100,000 tons of barley from Black Sea ports to France. This Russian offer to supply the French with grain so vitally needed in the relief program surprised some of the peoples of exporting countries, particularly with the indication by Russia that 100,000 tons would be available between now and April 15th. It is estimated that 100,000 tons will be available every two weeks thereafter until the movement is completed. WSA has advised representatives of the French government that ships were already in the Black Sea that would be used, and that sufficient ships were available in the Mediterranean area to meet all requirements. Due to the urgent need for grain, vessels will be diverted from other service even at the expense of other programs to assure prompt movement of the cargoes.

When our market opened this morning, there was very little to guide it except that wonderful rains had again fallen in various parts of the country, and according to the Weather Bureau practically every spot from coast to coast has now had some relief. It was officially stated that the Dust Bowl was no longer a worry, and from that point of view there is considerable encouragement for next summer's crops. We all admit that much can happen between now and harvest, but at least the early spring weather seems to be propitious. It was recently announced that some increase in acreages would be permitted, and this has to do with the spring wheat sowings, and that of corn and oats. In that connection, it is interesting to note that on March 1st the number of persons working on farms was less than a year earlier in all the important farming areas, although total farm employment did increase more than usual during February for all parts of the country except the Pacific Coast. Temperatures were generally above normal over the entire country, and it is thought that the amount of winter killing will probably be less than usual. Preparation of land for spring planting has been getting under way as far North as Iowa and Illinois, while from south Nebraska where oats had been planted southward to southern Texas even some corn was already showing above ground and planting of spring crops is proceeding rapidly.

There has been some publicity recently given to the reappearance of the Pace Measure in some congressional form. This must be the fifth or sixth time that it has cropped up, but never has had the approval of the administration, and again we find the Secretary of Agriculture opposed to it on the ground that it would wreck the whole stabilization and price control program. As the Secretary phrased it, "An immediate increase of 33% in parity prices certainly would lead to inflation." He, therefore, urged farmers to stick to the present method of computation.

When the visible supply was published, there was a decrease of 4,332,000 bu, or about as much as had been expected. The total in all positions is down to 33,675,000 bu, or 58 3/4 million bu less than was on hand a year ago. Chicago stocks are reduced to 571,000 bu, and the Chicago rye stock is down to 669,000 bu. In view of the fact that there is so little rye locally held and that the whole visible is small, erratic markets are not surprising, and an advance of 3¢ per bu met with little opposition.

There was hardly any trade in wheat but oats were stronger largely due to the report that a million bu was sold for export to Switzerland.

The House Special Committee investigating food shortages has not made public any recommendations, but it was stated from New York that they might ask for increases of 25 to 30¢ in the corn ceiling, higher prices for proteins, as well as incentive payments to stimulate marketing of light-weight hogs. This may also have been responsible for some of the activity on the constructive side of the market.

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CHICAGO, 4 March 19, 1946.

It is rather difficult to try to estimate what economies will be effected by the decreased consumption of wheat, although to some exte nt it will depend upon the attitude of the American public in their acceptance of a mandate from the Department of Agriculture to meet the serious food situation throughout the world. The Governors of all of our States have received a letter from Mr. Anderson, Secretary of Agriculture, stating that the President's Famine Emergency Committee has called on America to consume 40% less wheat products and 20% less of food fats and oils. In addition to this some very definite recommendations have been made, and some of these have already been followed, such as cutting the size of the loaf and a thinner slicing of bread. The need to conserve wheat is urgent, but we still claim that the best way to bring about real savings is by smaller feeding of wheat to livestock.

There was nothing very special in the overnight news, and the weather seems to be clearing, with moderate temperatures in sight, but in the main we feel that a better than average winter wheat wheat crop is in prospect. The government in discussing the bumper yield last summer of 1,123 million bu calls attention to the fact that some 150 to 200 million bu wheat, or upwards of 13% of the yield, has been accounted for by superiority of improved seeds which have been introduced since World War 1. Probably outstanding in this category is a new variety called "Cadet," which is a hard, red spring wheat, and in this field great improvement has been noticed. New varieties have been distributed to farmers, and the Department believes that the addition of about 100 million bu hard, red spring wheat to the 1944 crop may have been possible for this reason. Thus we have another method of fighting starvation, although it took about a ten-year period of breeding and development to produce "Cadet" wheat, which is the latest in the field of improved varieties. Here is another example of where skill and improvement, either in technology or in farming machinery, are not taken into account when parity is computed.

When our market opened this morning, prices were rather firm, and, of course, the recent strength has been very largely attributable to the fact that cash grains of all descriptions are still in good demand, while movement from the country is only moderate. The same is true in Winnipeg, and the visible supply in that country decreased 7 1/4 million bu for the week, indicating that the reserve stocks in North America will be very small before another harvest. We should not be at all surprised to see our own visible supply of wheat decline to 10 or 15 million bu in the months ahead, and thus there will be many holes to fill when new wheat comes to market. This is responsible for the lack of trade in new crop futures, and we doubt whether there was much exchange in the pit today, except where possibly a few longs were willing to accept profits.

Primary receipts of wheat amounted to 1,733,000 bu which compared with 1,443,000 bu last week, and 681,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 126,000 bu.

There was nothing very special in the news; at times reactions took place, both in oats and in rye due to profit taking, but there was really no pressure from outside sources. As a matter of fact cash markets are being fully maintained. Therefore, shorts have been a little on the defensive for the past few sessions, and have taken insome of the commitments previously sold. Winnipeg rye prices were weaker, and there was no special news from there, except that that market had been extremely strong of late . We understand that the volume of business in Canada is not particularly heavy, and we presume that whatever reactions took place were more or less of a technical order. The recent buying of October rye in that market presumably has been against deferred sales for export; therefore, most of the selling is of a short character.

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CHICAGO, 4 March 20, 1946.

The new Coarse Grain Order is expected to be issued within the next few days, and it is the administration's hope that we shall be able to conserve enough food at home to speed up our export program to a greater extent. Urgent as the demand from Europe is right now, we have a feeling that some relief will be afforded after next summer. Farmers in Europe are straining every energy to grow more food this year, and this in itself should not be difficult because last year yields were pitifully small in the war-torn, drought-stricken areas. However, there are many handicaps to overcome, and still serious obstacles to production, some of which we have mentioned before, such as lack of fertilizers, lack of seed, etc., but in addition to this there is a shortage of draft power and equipment, and it has become the practice in many areas for farmers to pool or share horses, oxen, and even a hoe or a plow. It is claimed that anyone who can manage to get hold of a spade or a rake is in a favored position, and that possibly he can even agree with the farmer to swap it and his labor for part of the food that is grown. In spite of all these handicaps when people are hungry they are willing to work, and a good many urban people are apparently pitching in to help production of food in deficit areas. In many cases employees are permitted to leave their offices or places of business shortly after noon in order to work on farms or to cultivate gardening projects for the balance of the day. Where ground is available a good many city people are using small plots for gardens, and it is said that some who were unable to obtain land for this purpose last year hope to be able to do so next summer. Because of the serious labor shortages, many mutual arrangements are being worked out exchanging labor for part of the harvest.

Over here we continue to eat about the same as before, although Washington is trying to work out diets in order to save wheat and other grains which are so much needed abroad. Oatmeal, for example, has been given prominence in the food and home notes, the proponents claiming that oatmeal ranks even above whole wheat in some respects as a highly nourishing grain food. It contains calcium and iron, also the B-Vitamin Thiamine. The advantage to oatmeal is that current supplies of oats are larger than they have been in several years, and one serving equals two slices of bread in food value, according to the Bureau of Home Nutrition and Home Economics. If every man, woman, and school child would replace two slices of bread with a serving of oatmeal each week, it would mean 135,000 tons of wheat for the hungry between now and next harvest.

Primary wheat receipts are fairly good for this time of the year; they amounted to 977,000 bu compared with 923,000 bu last week, and 417,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 432,000 bu.

Trade in all pits was light. There was practically nothing in wheat, but May rye was intermittently strong and weak without any particular trend. Just before the close an eastern news agency reported that Britain had been granted permits for the exportation of rye. Oats were inclined to be a little lower, and those who look at crop prospects feel that the situation next year may be quite different. Much will depend on whether the OPA finally permits corn prices to come into proper relationship with other feeds.

Practically every witness who has been called to Washington before the House Committee investigating food shortages has had the same story. They all went down there independently, and there was no collaboration of ideas, but regardless of what section of the country they came from they were all convinced that with corn disproportionately priced that it not only meant wastage and extra use of this grain, but also dissipation of our wheat supplies.

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CHICAGO, 4 March 21, 1946.

Yesterday's government report on intentions to plant brought a complete surprise to the trade in corn. Back of this may be the low cash value in relation to other grains. Corn ceilings are $8.00 per ton less than oats and nearly $18.00 less than wheat. Grain men, as well as industry leaders, have continually stated that OPA can, if they wish, maintain existing ceilings but the result is under-production.

Great stress has been laid on the wheat situation and farmers have reacted favorably. The combined sown acreage for winter wheat and intended acreage for spring totals nearly 71 million acres which is a million bu over both the Department of Agriculture's goal and last year's sowings. So far, abandonment is small, therefore, it is likely we will have a very large harvested acreage. Last year we finished with 64 3/4 million acres at harvest time. Fortunately, we had a yield of 17.3 bushels per acre, which while not quite as large as the 18.1 of 1944, it was 2.4 bu over the ten-year average. Harvest is a long time off so far as counting the bushels is concerned, but we have every reason at the present time to be optimistic.

Meanwhile various countries are conserving wheat for food by increasing the extraction of flour. In this country, it is 80% while in Britain, Eire and Holland it is 85%, and other continental countries, France, Greece, and Germany are extracting 90%, and Italy 91%. Prospects for the growing crop in Europe are satisfactory but still the outlook is for below average. France might produce as much as 240 million bu as against 160 million last year; Italy about 220 million as against 155 million in 1945. Efforts will be made to increase the spring wheat acreage but in eastern Europe this is not usually satisfactory.

Our oat report was very hopeful estimating that 46,444,000 acres will be sown. In the March report last year they expected to sow 46,555,000 acres, but the July report gave the acreage as 41,950,000 and the final in December was 41,503,000. Because of improved seed and excellent weather conditions we had a yield of 37.3 bushels as against the previous year and the ten-year average of about 29 3/4 bushels per acre. Last year's crop was the largest ever, totaling 1,547 million bu. Like in other grains, final acreages may be quite different, but right now the soil and weather conditions are conducive to putting in this big acreage and the price is high as compared with past records. Last year, in addition, about 3 3/4 million acres were sown and cut for hay, or abandoned and were already taken out of the July report.

The indicated corn area is close to 93 million acres, which is 4 3/4 million acres less than the announced goal and only slightly larger than last year's plantings. For four successive years, we have produced crops in excess of 3 billion bu which is the result of more extensive use of hybrid seed. Last year, despite very unfavorable weather conditions, the yield was 33.1 bu per acre, so we could raise another 3 billion bu crop provided weather is not too bad.
The extra acreage requested would bring a crop of 150 million bu more but still we could have a satisfactory quantity of corn especially as now there is a drive on to reduce the livestock numbers, and it is thought the Order limiting uses of grains in this manner will be issued within a few days. Maybe the farmer, sensing these things, as well as the price he would get if he sold his corn as cash, uses them as a motive for the small acreage.

Our forecaster is expecting precipitation in western sections of the wheat belt but the benefits from the recent rainfall are showing up in the State reports. The one from Nebraska states: "The discouragement from the dry fall and winter was changed suddenly to a rosy outlook by the splendid March precipitation. Fortunately, all except a small part of the State had four feet of sub-soil moisture."

Rye did not respond very sharply to the news of permits being granted to the British for the exportation of 800,000 bu now at Baltimore. This rye was already out of position for deliveries and because of the big premium that the May future commands over the ceiling, effective June 1st, it is thought that traders had already largely discounted the effects of such action.

Primary wheat receipts were 886,000 bu compared with 1,365,000 last week, and 663,000 a year ago. Kansas City and Minneapolis stocks have decreased 844,000 bu.

Senator Thomas said he will try to amend the price control act to remove all farm products from OPA control. This caused a flurry in our market, but the effect soon wore off.

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CHICAGO, 4 March 22, 1946.

The London Economist refers to the recent meeting of Sir Ben Smith and other British dignitaries with our President as bearing significantly upon the moral pressure to increase America's contribution to the "begging bowls" of hungry nations. There can be no doubt that everyone has been alerted to the necessity of getting food overseas with the utmost dispatch. There have been any number of plans submitted for best establishing results, including Governor Lehman's proposal that we revert to food rationing. However, rationing which was accepted during wartime isruled out as a peacetime measure if for no other reason than that the machinery has been discarded, and there does not seem to be the willingness to resurrect it again in time to accomplish any material good. The second theory is one of accomplishing the same results through voluntary efforts and by appealing to the humanitarian instinct of our people.

There has been a third method employed: namely, increased production in order that we may have larger surpluses of food. The latter, of course, is very closely interwoven with the price structure, and we saw two days ago that the corn acreage goal was not met for the reason that the price is wholly unsatisfactory to farmers and the only way that a producer can get the same price for his cash corn as he can for corn on the hoof is by feeding hogs to excessive weights, or by using the black market. Thus it would seem the better part of valor to discard theories on price when millions of lives are at stake. In our opinion if we could increase the corn acreage to 100 million and get a crop of 35 bu per acre, we would have a yield of 3 1/2 billion bu, which would go a long way in taking care of our feeding problems without dissipating the huge supplies of wheat, as has been the case for the past two or three years. During that time we have fed about a billion bu wheat to livestock, and now that food is so badly wanted, it almost seems a crime not to have saved more in the larder for the present emergency. While some regard the raising of ceilings as a suicidal step in the fight against inflation, nevertheless we need a stimulant in corn values high enough to make profitable a sudden switch to cereals, particularly in our exports, instead of attempting to ship 15% of our meat production abroad. Only if the Administration acts quickly can they make amends for the lack of foresight in the past; otherwise, the obvious answer is hungry Europeans and Asiatics in a suffering world.

The recent permit for the exportation of rye to the British-occupied German zone has lost much of its effect, and more people are considering that in a little more than two months rye prices will be governed by the ceiling of $1.48 1/2 per bu. The need for food in this British zone has recently become extremely serious, not only from a humanitarian point of view, but also politically and economically. Internal upheavals have been feared, and even an anti-British reaction and a breakdown in the industrial recovery. Just moderate shipments of grain may prevent some famine, disease, and revolution. Recent reductions of rations in this area made conditions worse than in either the American or Russian zones due to the greater dependence on imports.

Primary receipts of wheat were quite large, and amounted to 1,310,000 bu compared with 909,000 bu last week, and only 583,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 1,125,000 bu.

Markets were a little hesitant, and rye has failed to follow the bullish news for the last week or so; possibly the fact that we are getting closer to the June 1st deadline is a factor discouraging some of the bullish traders. In any case, the visible supply is small, particularly that part of the rye which is in this part of the country. Therefore, the outcome is still uncertain. We no longer are figuring on any rye at the seaboard coming back for delivery purposes, as apparently the government is more inclined to issue permits for overseas shipments.

There was no special trend to the oat market, but apparently some of the recent buyers were not quite as confident of their position, but the net changes were not great.

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CHICAGO, 4 March 25, 1946.

The UNO is meeting in New York, and, of course, many important problems will come up for discussion. However, food will rank high in all these deliberations for the reason that there cannot be peace and quiet in Europe unless the population is reasonably well fed. Our country faces the major problem of sending the proper types of food abroad for relief purposes. There can be very little doubt that the peoples of other countries would like to have, just as in pre-war days, an abundant quantity of livestock products, including meat, dairy products, and eggs. These were the items mostly affected by the war when home production declined and imports were reduced; but the fact of the matter is these are the same products most in demand here at home, especially under present conditions of prosperity and high buying power of consumers. The first step seems to us that must be realized is the hopelessness of any aspirations to send enough livestock products abroad to really be effective. The chances are about 15% of our meat production is now being shipped from these shores, and although we have in this country about four times as much livestock products as the average for the rest of the world, the amount which we could really ship is negligible in comparison with what is wanted.

Few people realize that in spite of our heavy exports of wheat and grains in previous times, for two decades prior to World War 11 we imported more dollars worth of food than we exported. Probably the most that Europe can expect is a sufficient quantity of grain from the four important exporting countries. Europe has already learned after their own livestock was consumed that it is better to live on a less palatable diet than to starve on one which is more palatable. The government revised its export figures for January, indicating that 37 million bu had been shipped, but it seems reasonable to expect that smaller quantities will be cleared during the next month or two.

There were all kinds of rumors on Saturday that higher ceiling prices for corn and wheat were to be established in order to get larger quantities of grain from the farms. Apparently this was just gossip emanating from Washington, because a denial came out on the broadtape shortly before noon indicating that nothing of that type was even being considered. We had hoped that due to the fact that corn prices were so low in comparison with other feeds, at least some corrective steps might be taken, and it is still our firm belief that the problem cannot be met properly until the distortion is overcome.

When the visible supply of wheat was posted there was a decrease of nearly 3 1/2 million bu; total supplies are reduced to about 30 million bu compared with 88 million bu on hand last year. Chicago wheat stocks increased a trifle, but are still only 621,000 bu, which is awfully little for a market the size of ours. However, with the government determined to get grain to the seaboard and to export it we are afraid that the reduction of stocks will continue. The rye visible showed a small increase, and Chicago supplies remain about constant at 650,000 bu. This is not particularly large, but might prove more than sufficient for delivery purposes if there is no particular demand for rye five weeks hence.

Very little attention is being paid to rains over the winter wheat belt, but reports come to us that the crop is making fine progress. There was further precipitation in parts of the Southwest, and our weather man believes that the eastern sections of Nebraska, Kansas, and Oklahoma will be further benefited tonight with the possibility of very light moisture in the western sections also.

Markets acted a little heavy, and there was pressure in oats on the assumption that next year's crop might be a very large one, and we might even be called upon to absorb additional quantities from Canada.

Rye prices strengthened early only to rebound on profit-taking.

A strong market at Winnipeg early had very little influence here; as a matter of fact, it really means nothing as we no longer are in position to get supplies from that country.

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CHICAGO, 4 March 26, 1946.

There are so many conflicting factors at the present time that it is extremely difficult for the average grain trader to have very strong convictions. About mid-session yesterday a report came from Washington denying that any increases in wheat or corn ceilings were being considered, but apparently this is not entirely correct, for the reason that the Special House Investigating Committee looking into food shortages has not yet made its report. We doubt whether our Congress would have given power to this body to call men from all parts of the country unless they were at least interested and willing to hear what possible remedies should be adopted for working out our present problems. Ex-President Hoover, now on his way to Switzerland, has cabled back that the next four months will be the most critical insofar as European requirements are concerned, and after that new harvests will bring some relief to those who are presently under-nourished. It has been felt by leading economists and those who have spent a lifetime in the grain business that a higher price for corn, bringing it into better relationship with other feeds, would go a long way in correcting some of the evils presently encountered. It is still not too late to give further encouragement to farmers for heavier plantings of corn, and the government goal of 97 million acres might still be reached if the producer could get a satisfactory price for his corn without resorting to the black market.

At the present time soil conditions are uniformly good. There was further precipitation in the Southwest, and as much as one inch of rain was reported at Norton, Kansas, which is in the northwestern part of the State. While naturally it is too early to make prophecies as to the possible size of the winter wheat yield, one can at least say that conditions thus far have been very propitious.

In the meantime, big inroads are made in the surpluses both here and in Canada. As near as we can tell about 266 million bu wheat and flour was cleared from the United States, and while there may be some lull in the activity during the next two months, one might predict that the carryover reserve next July will probably not exceed 150 million bu, which is certainly a tremendous reduction from recent years. Canadian shipments since August 1st have totaled 244 million bu, which is also a fine record, and her clearances, averaging about 7 million weekly, are about in line now with ours. Based on a total supply at the beginning of the season of 564 million bu, there appears to be about 170 million bu wheat left in Canada available for export or next carryover. There is still nineteen weeks until next harvest; therefore, if the present rate of shipments would be continued, there would be virtually nothing left in that country by August 1st.

What will happen in Europe next season cannot be definitely foretold now. The Soviet Union has approved a plan to increase crop acreage by 20 million acres, but whether this includes land that was not under Soviet domain last year is not really determined. As we have mentioned previously in our letters, the outlook in France is for a wheat crop of possibly 240 million bu, which would be considerably more than last year although still under average. Winter moisture, according to Broomhall, has greatly improved the outlook in Spain, North Africa, Italy, and other Mediterranean countries, many of which suffered from drought last season.

Primary wheat receipts amounted to 1,745,000 bu, or practically the same as last week, and compared with 721,000 bu last year. Despite the apparent improvement, it is still very difficult to buy anything in the country, and many mills are complaining that they are working on extremely short rations. Kansas City and Minneapolis stocks so far this week show a net decrease of 24,000 bu.

After opening about unchanged there was a rally in both rye and oats due to the fact that ceiling increases were again being discussed. Those who are short apparently thought that for the time being at least it was safer to cover commitments. July oats were not too easy to buy, and strength in that future rallied the more deferred months for a time, but trade on the whole was rather light.

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CHICAGO MERCANTILE EX.

CHICAGO, 4

March 27, 1946.

War Food Order #144 has placed a great hardship upon many people in this country, but in most cases whatever sacrifices had to be made were cheerfully accepted owing to the fact that it is the hope and intention of our government to get larger quantities of grain to the needy peoples of Europe. However, hedgers and those who have used our market for the past twenty-five or fifty years found themselves in a rather untenable position by virtue of the fact that in many cases the grain which had been intended for delivery had to be turned over to the Commodity Credit Corporation. In other cases millers, who ordinarily would have bought cash wheat, would have found little difficulty in covering their futures contracts in the pit. But because of the present situation everything is quite different, and, therefore, the Directors ruled yesterday that all trades in the nearby future should be closed out at the ceiling price of $1.83 1/2 a bu. This caused very little comment, and apparently had been more or less expected. Likewise, this action did not influence sentiment in the later deliveries of wheat, although naturally it is too early yet to have definite convictions as to what we may expect later on.

Russia claims that they are anticipating a tremendous acreage for all grains, but whether this will afford surplus grain for some of the deficiency countries remains to be seen. Here at home our crop prospects are fully maintained, and there was additional moisture overnight, including some nice rains in Texas, which extended as far west as the Panhandle. Ordinarily this would have a bearish influence but the trade is still skeptical, and while there were a few transactions in December wheat, all futures are still pretty firmly held at ceiling levels.

There were apparently a good many meetings held in Washington yesterday to consider higher ceilings for corn and for wheat. While we cannot confirm it, we understand that the Special House Committee was in favor of a 30¢ increase for corn in an effort to bring it more into line with substitute grains, but apparently there is a good deal of opposition either from OPA or from the Department of Agriculture, but yet we think it is the only sound basis of overcoming the present dilemma. Price is always so important in determining whether or not an item should be sold that we can hardly understand why there should be such misgivings on part of some of our leaders to grant the increase. The first question that anyone asks when going into a store is,"How much?" If the price is very cheap, invariably the customer answers, "I will take two." This worked out in wheat when we had our depression to the extent that China and other Oriental countries that hardly ever made purchases here bought our grain because of the cheapness. Conversely, if a price goes high enough consumption is curtailed and acreages are increased. This is so fundamental that to ignore the basic laws of supply and demand may only foster greater difficulties in the crop-year ahead.

The Coarse Grain Order has not yet been issued but some people are of the opinion that it may come out later today, although possibly it was held in abeyance pending action on higher ceilings.

Primary receipts of wheat were very light today, and amounted to only 533,000 bu compared with 977,000 bu last week, and 498,000 bu last year. Kansas City and Minneapolis stocks show a net decrease of 336,000 bu. There was a slight increase at Minneapolis, but even there we find the tendency for stocks is to decline, and we still feel that the whole visible will shrink to very small proportions during the next six weeks.

There was little trend to the market, although more firmness was displayed in rye, possibly for the reason that there is still a chance that corn ceiling prices are going to be raised. In oats, prices were easily influenced by small transactions. The July future became weak early, but due to the fact that cash oats are still bringing ceiling prices, there was a good recovery and when this occurred the deferred months also firmed up. There is hardly any trading in barley, but this cereal seems to be high-priced, particularly if we get a fairly good crop next season.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 March 28, 1946.

The U. S.Chamber of Commerce has urged the ending of price curbs with October 31st as the deadline, although asking for some modifications on rent ceilings beyond that period. Those who have watched the growth and development of this country, and the wonderful capacity for producing goods in volume, recognize that price factors are such an important element that they must be considered in all of our calculations. We demonstrated during the war that we were able to turn out goods like no other nation in the world. When the assembly lines stopped turning out automobiles, there was a slight pause until tanks, machine guns, and other war materiel were being produced in volume, but owing to the fact that expense was not a factor, we really accomplished everything in record time.

There is an emergency facing the world today of such a critical nature that we believe ceiling prices on grain should be set aside, if for no other reason than that millions of people throughout the world are facing starvation. These are the exact words from the monthly bulletin,THE AGRICULTURAL SITUATION, published by BAE. Regardless of what the causes were; whether it was the aftermath of war or serious droughts, the fact is that the United States is one of the few important food producing countries to have escaped a dry season, and the whole world is looking to this country to help alleviate disaster. In many countries conditions now are much worse than during the war. Our President and other national leaders have asked for further increases in agricultural production, and some headway has, of course, been made, with about 13 million acres more to be sown than was planted in 1945. However, there was rather keen disappointment with respect to the amount of corn which will be planted this spring. In our opinion, this stems very largely from disinclination on part of farmers to put in the full acreage asked for because prices are out of line. While OPA recognizes in a half-hearted way that a very high percentage of the corn crop is moving through black market channels, apparently their answer is that the appropriations are insufficient to enforce the law. Those who come from Illinois, Iowa, or Indiana all tell the same story --that a definite side payment to buy corn is needed, and thus racketeering has developed on an enormous scale.

It is our own contention that substitute grains, and wheat in particular, are being fed on a much heavier scale than even government senses. They figure that while our wheat exports will approximate 400 million bu, and that the amount for alcohol will account for only 20 million bu, about 240 million bu will be required for feed. Based on a somewhat higher domestic disappearance than in normal years, and taking the January 1st stock of 689 million bu, which was held in all positions, including the 369 million bu on farms, we feel that the disappearance for feeding will probably be a good deal heavier than estimated. Consequently our carryover next July may easily be reduced to 150 million bu, which compares with a ten-year average (1932-41) of 235 million bu, and the low for the past twenty-five years of 83 million bu, which occurred in 1937.

Primary receipts of wheat amounted to 1,094,000 bu compared with 886,000 bu last week, and 535,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 541,000 bu.

Most markets were firm, at least those commodities where trading was possible, and we believe this was due to a revival of the Pace Bill for the inclusion of farm wages in parity computation. Senator Thomas gave a stirring argument in its favor, and nobody can be entirely sure of the outcome. However, there is one thing which we believe is certain --that is, when the change comes with respect to agricultural conditions that it will come with vengeance. We note that The Times of Argentina is advising all agriculturists to plant as large an area of wheat this year as they can because of the strong world demand. We also note that good rains have fallen in grain areas of Australia, pasture lands will benefit immediately, and the reserve of subsoil moisture will be provided for next season's wheat sowings. It may take a few years yet before we catch up, but when we do the extremes of scarcity may change very fast to the former problem of surpluses.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 March 29, 1946.

Congressman Pace, in referring to legislation for the inclusion of farm wages in determining parity prices, has given a rather lengthy explanation to his colleagues, and has included a statement from the late President Roosevelt, as follows: "Parity is a fair relationship between the prices of the things farmers sell and the things they buy. Calculations of parity must include all costs of production, including the cost of labor. As a result, parity prices may shift every time wage rates shift." As we analyze the farmers' problem, we believe it is safe to say that during the last ten or fifteen years there have been tremendous improvements in agriculture and in the efficiency of the implements farmers use. Thus, it has been possible to have a very large production, with fewer number of workers, and this was a wonderful help during wartime. However, a good many farm hands were displaced, and actually the farmer who did a good part of his own work was able to cover more ground and to accomplish more because of scientific developments. Consequently, it is altogether possible that if a conscientious formula were devised and farm labor included in the calculation, parity prices under Mr. Pace's concept would be lower rather than higher. We doubt very much whether this is his purpose because on all similar occasions he has had in mind that the farmers should get a higher return.

All these proposals lose sight of the fact that one of these days we may again have to meet foreign competition. For example, Russia, which has seldom appeared in the export column during the last fifteen years, has a very aggressive five-year plan. By 1950, they hope to increase gross production of agriculture by 222% of the 1932 base. They hope by that time to reach a total grain production of 127 million tons, which would be 22% more than prewar. The whole plan embraces increases all along the line, so that even cotton would be raised by about 25%. Livestock numbers would be stepped up materially, and they are envisioning a 75% increase of sheep and goats. Hog numbers by that time would be three times as many as in 1945. While this is still all in the future, collective farming has enlarged a good deal in Russia, and we doubt whether now is the time to sit back complacently at home and let the rest of the world become too enthusiastic because of present high prices. We realize that Russia is a very prolific country, and the population has been increasing heavily, but still if they came to the foreground as a large exporter to supplement surpluses from Canada, Argentina, and Australia, it might finally leave us with great problems to face.

We hear very little from Washington on recommendations for bringing larger quantities of grain from the farm, but there is still some talk that a higher corn ceiling may be permitted. The Special Committee investigating food shortages has intimated that they will not seek any changes requiring Congressional action, but we feel that the OPA has ample power to raise the price of corn and could easily substantiate such a move in view of the relative cheapness of corn and the distorted price alignment with substitute feeds.

Primary receipts of wheat amounted to 957,000 bu compared with 1,310,000 bu last week, and a holiday last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 692,000 bu. When the visible supply is posted on Monday there will be a shrinkage, but we doubt whether it will be as large as the disappearance a year ago, which amounted to 4 3/4 million bu.

There was more trade in wheat than for some time. A good many people are of the opinion that even though there should be a rise in the ceiling level, or if the Pace Bill should possibly go through (which is not expected) windfall profits probably would not be permitted. This being the case there was a little more selling of long commitments, particularly since it is quite likely that the whole world, aroused by shortages, will try to plant as much grain as is possible. In spite of this, however, wheat futures were still wanted at the ceiling level, but this might change very quickly.

Rye was strong at one time, but reacted. There seemed to be a more bearish feeling in oats after the recent short covering, but markets were not weak.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 April 1, 1946

While food conditions are very bad in many parts of the world, and especially so in Poland, the outlook at home continues rather optimistic. The Bureau of Agricultural Economics figures that the per capita consumption for civilian purposes will probably be as large during 1946 as the previous year, assuming that the crops are no worse than average. While admitting that sugar and butter will continue to be in short supply, they figure that during this calendar year we shall probably consume 150 pounds of meat per person, which compares with last year's consumption of only 131.5 pounds, and a pre-war average of 125.6 pounds. Thus it is almost a foregone conclusion that heavier quantities of feed will be needed to bring about such results. There are quite a few items which are going to be in much more plentiful supply than before the war, although possibly will show some reduction from last year. As an example of this, every man, woman, and child is expected to eat about 365 eggs per year compared with 390 in 1945, and 298 before the war. Coming to fresh fruits, our diet will be exceedingly good, with 148 pounds to be eaten, which is a slight increase over last year, and compares with 138.5 pre-war. It is apparently hoped that wheat and flour consumption will be reduced to 157 pounds, which is 4 1/2 pounds less than last year, but yet compares with 153.1 pounds prior to 1939 Taking it all in all the total food diet will not differ greatly from1945, and consequently we should still be in position to export manyitems to help relieve the suffering overseas. The big question still is whether there will be considerable relief after European crops are harvested. Nobody can state definitely at this time, except that yields during the summer of 1945 were so poor that it is almost a foregone conclusion that there is going to be some improvement, and particularly now that the war is over so many people can do home gardening and may raise vegetables in order to overcome present difficulties.

When our market opened this morning there was very little news of any kind except that Washington continues to talk of a certificate plan, which it is hoped will bring heavier supplies of grain from farm to market. The program is apparently copied after the one in Canada, whereb the producers will be given a certificate on the wheat that they sell. While nobody has any definite knowledge of whether official sanction will be given by the Secretary of Agriculture, the general idea is that it will go through because it would protect the farmer from a price rise later this year, in the event that parity levels continue to advance. These non-interest bearing notes may be marketed either during the balance of the crop-year or later on. There seems to be a further concession that if a producer has already sold enough grain that he would ordinarily prefer to wait until next year to sell further quantities due to income tax considerations, that holding of such certificate would accomplish the same thing.

There are also reports from Washington that the question of increases in parity due to inclusion of labor factors is receiving more serious consideration, and that the sponsors of this legislation are apt to affix this amendment to the OPA Bill calling for renewal of the law when the question comes up in Congress later on. Due to all these uncertainties, there was some short-covering, and our market had a better undertone with less new pressure being exerted.

Primary receipts of wheat amounted to 9[illegible],000 bu, which was a little less than last week, also smaller than last year. When the visible supply was posted, it showed a decrease of 2,326,000 bu, thus reducing the total to less than 28 million bu compared with 83 1/2 million bu last year. Chicago stocks were about a standoff, but there is only 636,000 bu in this market. The amount of rye here is about the same. Markets were rather firm and some of the buying was in sympathy with the great strength in cotton, also short-covering, with fear being expressed that a higher parity computation might be legislated. This had considerable influence in oats; most recent of the selling has been by shorts. In other words, there is no actual pressure from supplies. Rye also was strong although on profit-taking best prices were not maintained.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 April 2, 1946

There are all kinds of reports coming out from Washington as to what we may possibly expect in the way of new legislation, but nothing has crystallized to such an extent that we may draw any definite conclusions. The big job apparently is to get wheat off the farms, and everyone who returns from the Capital claims that the main item of discussion is the fact that we have a big obligation to furnish about a million tons of wheat monthly; and unless it is sold more freely, it is going to be very difficult to fulfill these promises. With all the talk of higher parity, naturally the farmer is reluctant to sell, but the certificate plan would apparently safeguard him against further advances, and we believe that this program probably has the best chance of going through.

There are also many discussions as to whether OPA will be extended beyond June 30th, and even if its life is prolonged, whether it will cover grain and grain products. Senator Thomas and others are of the opinion that the producer can best be served by removing this obstacle. Any economist will contend that the function of a market is to fix that price which will coordinate production and consumption. Such a price is most often called an "equilibrium" price, or a fair price. Under the present setup, and particularly with respect to corn, farmers can only get what they regard a fair price through black markets, or else by feeding hogs to unusually heavy weights. The thing that has always brought honor to the exchanges is that when markets were free, open, and competitive, they helped to bring about an automatic adjustment of production to consumption. The high price following a short crop curtailed consumption and stimulated production, while conversely the low price following a large crop increased consumption and curtailed production. Various governmental agencies still recognize these principles; therefore, we have subsidies, but this does not accomplish the same purpose owing to the fact that prices to the consumer are kept down, and thus many housewives, unaware of the actual price of a commodity, use it to a greater extent than if the price were permitted to go higher.

While crop prospects in this country are fully maintained, the season is very early, and to that extent offers some danger in the event that frosts occur later this month or early in May. As for Europe, Broomhall reports that it is still too early to definitely state that their harvests will be a success. Spring seeding is still to be accomplished, and some fears are expressed that either through weariness or lack of imagination, there may be countries which are not looking toward the future harvest as keenly as the situation demands. A shortage of fertilizers still exists, and, that, of course, is a very serious drawback. There is some apprehension concerning the Balkan countries and Poland, where the biggest States have been divided up into small holdings, but so far as the West and North of Europe is concerned, our British authority says that there is no reason to think that spring seeding will not be actively carried out, and that subject to fertilizers being available a good harvest should be obtained.

Primary receipts of wheat amounted to 1,273,000 bu compared with 1,745,000 bu last week and only 801,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 126,000 bu.

Markets were reasonably firm early, but later on a considerable quantity of September wheat came into the pit. There were also some sales of December with the result that for the first time in weeks, the September delivery sold just a shade under the ceiling level. The weakness in wheat spread a little bearish sentiment to other pits, and while rye was quite strong early, it finally yielded ground, and the same was true with respect to oats. Nobody can have very strong convictions until some of the uncertainties in Washington are clarified.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 April 3, 1946.

Late yesterday announcement came from Washington that the Certificate Plan had been put into effect with respect to wheat. It is our belief that if the Plan works the government may also use it to bring corn forward from the farms. Nobody knows at this early date what method of distribution will be used, but it is hoped that private enterprise rather than CCC will handle grain. Otherwise, the buying would be concentrated in one single agency, and normal business would become practically impossible to conduct. As one of the newspapers pointed out, the action in effect delivers the Nation's wheat supply into the hands of the Commodity Credit Corporation as the only authorized buyer. The reactionto the program varied, and nobody will venture an opinion as to how effective it will be in bringing wheat to terminals or for export. Some labeled it as placing the farmer in a more speculative position, encouraging him to hold the Certificate for a rather lengthy period. Others saw the danger of circumventing income tax practices, which might be demanded by business in other years in order to make the time element less costly. The main reason, however, for implementing War Food Order #144 is to get grain for European relief, but apparently certain agencies in Washington are suffering from indecision, as it has been pointed out that the House Committee investigating food shortages had made its recommendations to the Department of Agriculture, to OPA, and to OES. Congressman Pace refused, however, to comment on the recommendation,although we are inclined to believe that a higher price for corn has been suggested, and possibly even for wheat. The new Certificate Plan is apparently aimed to give these agencies further time for deliberation. We have expressed ourselves on several occasions on the situation with respect to OPA as we see it. Their tendency to advertise about holding prices down has obscured the fact that price rises are being allowed by this agency without attendant publicity. Therefore, we still hope that corn advances will be permitted in order to bring the price of this cereal into a better balance with substitute feeds. To date, at least, the OPA simply cannot carry the onus of having withheld the beneficial results of full production of goods from American consumer.

When our market opened this morning, prices weresteady, and, of course, nobody can be sure how this new machinery will influence the trend. As we understand it, the immediate impact is only on present crop and there is no intention apparently to have the Plan operative for 1946 wheat. In fact, it has definitely been stated that only farmers who were eligible for the 1945 loans may participate in the new arrangement. While undoubtedly the carryover reserves will be much smaller than in previous years, there might be more wheat in commercial hands but less held on the farms.

The weekly weather and crop report was quite favorable, although some complaints of too much rain and wet soil were reported from the Lower Mississippi Valley. Winter grains are greening rapidly even in some of the northern districts, and wheat is six inches tall in most sections from eastern Kansas to the Ohio Valley. Broomhall is quite optimistic about European countries, claiming just a few spots where rain would be welcome. Farmers are being offered inducements to expand their spring grain areas in France, and in North Africa wheat and barley crops are reported in excellent shape and that harvest is approaching.

Primary wheat receipts were only 509,000 bu compared with 633,000 bu last week, and 679,000 bu last year. Kansas City and Minneapolis stocks so far this week show a decrease of 341,000 bu.

In contrast to yesterday's market where prices for the September delivery declined to below ceiling levels, there seemed to be an urgent demand today, and while a number of trades were made in both September and December wheat there were never any recessions from the maximum limit. Brokers, however, seemed to think that a fair trade took place. Rye was never very weak, but on the other hand there was no spirited buying, and yet the close was reasonably strong. In oats, there was some selling pressure early, but when it subsided reactions took place, and the close was not far different from the previous session.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 April 4, 1946

Several weeks ago, Chester Bowles summoned to Washington the heads of the various Exchanges that dealt in cotton futures. He requested them to voluntarily increase margins in order to halt price advances. After a good deal of deliberation, the request was refused on the ground that it is not within the realm of any Exchange to try to dictate prices. The writer, who attended that conference, pointed out to Mr. Bowles and to Mr. Porter that, despite margins of $1 per bu in Winnipeg, rye prices still remained very high due to the fact that supples were small. He also pointed out that after World War I wheat was selling for $3.30 FOB galveston at a time when there was no futures trading. Thus speculation should not necessarily be blamed for either low prices or high prices, as the case may be. Speculation does anticipate changes, but in the final analysis supply and demand dictate, and even when ceilings are invoked, these fundamental facts are demonstrated.

OPA threatened that unless voluntary action were taken by the Exchanges themselves higher margins might either be demanded by the government or a ceiling placed on cotton. Late yesterday the former action was resorted to after some difficulty in getting Mr. Anderson to sign the directive. According to Washington reports, the Secretary of Agriculture was ordered by the Economic Stablizer to sign on the dotted line after reportedly having refused to sign the order voluntarily. Here, again, we believe that basic principles are completely overlooked.

We do not pose to be cotton experts, and possibly the price is high enough but surely regulating it through increased margins is not the answer to the problem. The question of margins has always been regarded by exchanges as simply a safety device to protect the Clearing House and commission merchants from losses. Any attempt to use margins to influence price levels, we believe, is unsound. Excessively high margins may eliminate smaller traders and thus curtail volume of business, but the danger is that large operators with sufficient money may dominate the market to a greater extent. It is entirely possible that OPA, fearing that a ceiling on cotton would prove ineffective and would lead to more black market operations, chose as an alternative the margin increase.

When our market opened prices were slightly lower, but there was no appreciable selling. Everyone has in mind that the wheat shipments both from here and from Canada are going to be so large that our reserves next summer will be greatly reduced. In thirty-nine weeks, as near as we can tell, about 280 million bu wheat and flour were shipped from the United States,and the government is making every attempt to keep clearances on a high scale. The same is truc of Canada, and in order to accomplish their purpose farmers may accept papers called an "Emergency Wheat Receipt." Upon acceptance of this document the producer may elect to obtain payment at any time up to and including December 31, 1948. It is the privilege of the producer to request payment in part if he desires to spread the payment over the period ending December 31, 1948.

Primary receipts of wheat were 779,000 bu compared with 1,094,000 bu last week, and 746,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 419,000 bu.

There was hardly any trading in wheat; in fact, we believe that only one future traded and again orders are accumulating to buy grain, but crop prospects are fully maintained, and quite a few snows were reported from the Northwest. Buying in rye is based on high premium for cash, and because of satisfactory market action. However, anyone who gets delivery toward the last of May will have to be rather quick in finding a buyer owing to the fact that on June 1st the new ceiling becomes effective. There was heavy trading in cotton; selling came largely from one big commission house, but offerings were well absorbed.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 April 5, 1946

Ex-President Hoover, reporting to the Emergency Food Conference after making a personal survey of European conditions, made this statement: "Hunger sits at the table thrice daily in hundreds of millions of homes." He estimated that 5 million tons of cereals a month and additional shipments of fats were needed in Europe to avert disaster. "The American people have responded generously," he declared; but nevertheless it is his conviction that famine is inevitable unless we and other large wheat producing countries immediately ship all available food supplies.

Here, again, is a warning that excessive feeding of wheat to animals must be halted, and we cannot impress too urgently upon this administration that before World War II the average amount of wheat feeding was only 117 million bu annually. That was during a period when our corn crops were very much smaller than at present. In fact, the ten-year average yield was only 2,339 million bu, or, roughly, 681 million bu less than during the five-year period just completed. Likewise our oat crops have been materially larger in recent years, so that it is altogether possible to have a large animal population, although to some extent it must be limited by our ability to afford such luxuries. As we pointed out in a previous letter, the per capita meat consumption for civilians is about 150 pounds compared with 125 pounds in pre-war days. This item itself accounts for about 350 million bu corn. Therefore, when it is considered that we are also exporting about 15% of our meat supply at the present time, one can readily understand why there is such tremendous feeding of wheat, but one can likewise appreciate why it should be stopped. Two years ago 486 million bu wheat was consumed by animals; last year 275 million bu, and we should not be surprised if during the current season 325 to 350 million bu would be fed, all of which is excessive at a time when human beings are suffering from lack of the proper diet, with distress greatest among children and adults in the urban areas of Europe. In our opinion if OPA had not obstinately clung to its theory of price control over corn, the situation would have been much less acute, but by the same token it is still not too late to effect some savings.

When our market opened this morning, prices were rather firm. One item appearing on the broadtape stated that an embargo on all shipments of wheat from the State of Washington had been invoked to keep enough grain on hand to tide people over until the new crop was harvested. Also, the Pace Amendment was given further consideration in the Senate. Nobody can be altogether sure whether the President's veto power will deter final legislation of this program, which is to be a rider to the minimum wage bill. In any case, there is still a movement afoot to revise parity computation, and this is keeping the trade in a rather uncertain mood. Crop prospects are fully maintained, but this is having very little influence at the moment, as there is no particular pressure from country points. Thus far the Certificate Plan has not brought about an enlarged movement from farms.

Our rye market was very strong, partly in sympathy with the 5¢ upturn in Winnipeg but also because high prices for cash rye were paid in this country. We understood that one or two cars of number two rye sold at Kansas City at $2.50 per bu, FOB, and apparently good premiums are prevailing everywhere as the reserves are small and quite scattered.

Primary receipts of wheat were 704,000 bu compared with 957,000 bu last week, and 694,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 517,000 bu. When the visible supply is posted Monday it will compare with last year's decrease of 3 3/4 million bu.

In spite of very strong prices here for rye, the May future going to a season's high, there was no particular excitement elsewhere. As a matter of fact no trades whatsoever were recorded in wheat or corn. Oat futures were a shade lower after being reasonably firm early, and it seems that with fine crop prospects a good many people are beginning to discount what the situation may be two or three months hence. A few frosts were reported in central and southern Illinois, but nothing of a damaging character. The forecast is for rising temperatures.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 April 8, 1946.

Ex-President Hoover's conclusions after traveling through Europe are very enlightening, to say the least. He says, "We have emerged from a terrible era of killing of men, women, and children. The world must look forward with hope and the dawn of that hope can be made glorious by an era of saving of health and life." As all other experts have told us, the major problem in augmenting supplies is during the next three months, or until the time when another harvest is at hand. About 5 million tons of cereals, together with fats, are needed, and while a part of the burden has been carried out by Russia, the main obligation is to be satisfied by North American sources. Apparently the main food shortages are still in the larger cities and in the industrial areas of the sixteen or seventeen nations where about 170 million people are in dire straits. Possibly one-third of the population can take care of itself, but as Mr. Hoover phrases it, "The bitter experience of centuries of war has instilled a squirrel-like instinct in the peasants of Europe to store for the protection of their own families."

Mr.Anderson, Secretary of Agriculture, is still hopeful that, difficult as the problem is, with the cooperation of processors and handlers, consumers and farmers the job can be done. Rail transportation is no longer a bottleneck, and he calls attention to the fact that special efforts have been made to facilitate the movement of grain on the Great Lakes. The big problem, of course, is that we are getting to the bottom of the barrel, and it remains to be seen whether the recent program, referred to as a Certificate Plan, will be of great help in bringing grain forward. Mention is made that many housewives have bought flour in excess of current needs, but we believe that the big saving that could be effected is in reduced feeding of wheat to animals. Therefore, it has been a tremendous disappointment to us that the ceiling on corn has not been advanced because practically every export has agreed that this would be one method of ending an unhealthy distortion which has dissipated substitute grains. It is true that cattle numbers in this country and on this Continent have been decreased. Cattle numbers in North America are 2 million smaller, and more specificially in the United States there has been a decrease of 2.1 million head in the past year. Still feeding to excess weights has likewise diverted lots of grain which could have been more profitably used for direct European relief.

When our market opened this morning, prices were rather firm, and there is still considerable talk that parity may be recomputed in order to be modernized. However, anything that might be regarded as very inflationary does not have the Presidential backing, and our Chief Executive has told many close advisors that he would veto the Pace Amendment if it were passed as a rider even to the Bill to continue the life of OPA. Word from Washington comes to us that government officials will probably permit private trade to handle the grain business of the country even under the Certificate Plan. One provision has been mentioned that the country elevator as agent of CCC makes out a contract of sale, which gives the farmer the right to set a price any time up to next March 31st. The country elevator simultaneously buys the wheat from CCC by making out a check to that agency for the producer's selling price. This check with the original sales contract is sent to CCC. The country elevator is under instructions to load and ship emergency wheat as fast as carlots accumulate and cars areavailable, and all emergency wheat is earmarked for CCC. However, as we understand it, all other grain may flow through normal trade channels.

Primary receipts of wheat were 867,000 bu versus 981,000 bu last week, and 1,230,000 bu last year. When the visible supply of wheat was posted there was a decrease of 2,829,000 bu. Total supplies are only 25 million bu, or less than one-third as much as was on hand last year. Chicago stocks have been reduced to 480,000 bu.

This was another day when hardly any trading in wheat or in corn occurred. Oat prices were slightly lower, but rye established a season's high, and cash prices are very strong with big premiums being paid in all markets for supplies. With some profit-taking futures reacted, although the close still showed a good advance from Saturday.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 April 9, 1946.

The Certificate Plan has been in operation for about a week, but to our knowledge it has not accomplished what the sponsor had hoped for. Very likely the reason for this is that farmers have been pretty well satisfied with their own status, and those who needed money immediately could get ceiling prices any time they desired, while under the new plan they have no guarantee that if there should be price recessions later on they will be taken care of. As a matter of fact, on a declining market they would actually lose, and their only hope would be a ceiling advance, which up to now has been denied them, except for a few cents increase due to higher parity. We believe in all these calculations that the government has failed to understand the price psychology and how this has been the basic economic factor since the beginning of time. Whenever the consumer is able and willing to use goods, prices rise to a point at which supply and demand come to a focal point, as it were, and thus we have fluctuations which bring about such an adjustment. Consequently, the cure for high prices is high prices, the same as the cure for low prices has always been low prices. The latter is sometimes painful, but in the long run it has been more effective than legislation for the reason that when the farmer became discouraged, he neglected his land, used less fertilizer, and possibly planted less, with the result that the reaction came much more quickly than when the many artificial stimuli were resorted to. At present the farmer, realizing the tremendous demands from Europe, inflationary tendencies, and the slow process by which we are getting into production, with strikes and labor difficulties, is not in a mood to sell his own wares unless he is well compensated.

All this being the case we believe that finally the government must think in terms of higher ceilings, especially for corn, where the distortion has been the greatest. We hear day after day of the many truckloads of this yellow cereal being taken from farms to feeding areas --sometimes on long hauls, and often under black market operations. So any good which may be accomplished by OPA in holding the price level is offset at least to that extent by bootlegging, racketeering, and elicit trade, which could be corrected if we set aside our vanity and tried to appreciate that known errors are less grievous than others because they can be overcome.

When our market opened this morning rye was again very strong, and it seems that supplies everywhere are light. There can be no accumulations, although at present price levels, we should not be surprised to see the farmers scrape the bins, particularly since there will be a sharp cutoff by end of May when the new ceiling becomes effective. In spite of this feature oat prices continue to be reactionary, and while there is no pressure at the moment, it is rather significant that prices for futures have receded from the ceiling, despite the strength for the cash article. On the other hand, no short is willing to assume too bearish a position until there is some weakness in the spot markets, but, nevertheless, discounting the future, many believe that with the large carryover and good crop prospects next year may witness lower prices. There was some scattered rain in the Southwest and more is looked for. In Illinois a few frosts were reported but nothing very serious.

Primary receipts of wheat were slightly over a million bu compared with 1,273,000 bu last week and 901,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 34,000 bu.

There are still all kinds of rumors emanating from Washington to the extent that bread may be rationed and that other new drastic orders will be enacted looking toward tighter restrictions and reduced consumption. Whether this happens or not some of the millers believe that sales of flour through retail stores will diminish and that possibly some industries will be compelled to close down before the next crop. In the meantime, our meat exports continue heavy, including that for relief, and it is possible that we shall have a definite shortage before the end of the year, although formal rationing may not be needed.

The main feature today was the great strength in rye, and this finally brought some short-covering into oats, giving us a rally in the last half hour of trade.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 April 10, 1946.

News pertaining to wheat is making front-page headlines, and our government seems determined to fulfill its export commitments regardless of cost. In other words, overseas shipments will get all priorities even if some of the mills in this country have to close down, or even if it becomes necessary to curtail domestic consumption by about 25%. It is not thought likely that flour or bread rationing will be invoked, insofar as consumers are concerned, but on the other hand there may be allocations to the various bakeries and grocery stores, with the result that later on housewives may not be able to get all the pastries or bread to which they have been accustomed. There was another front-page item calling attention to the receipts at Kansas City, which made a forty-three year low, and with that incident came the warning by millers and grain men that the situation threatens "The proportions of a catastrophe." We have been advocating for a long while the raising of corn ceilings, hoping that such action would cause a smaller quantity of wheat to be dissipated through feeding channels, but the government has now waited so long that wheat has been heavily fed ever since last harvest, and it is only about 2 1/2 months before the crop season ends. However, there are other considerations, because if corn ceilings were increased now it would still leave enough time for larger sowings of corn, and in that way it might be very helpful for next season.

After the close of the market today, the government report will be issued, and while it is expected that there will be some increase over the December estimate for wheat, the really important factor is the amount of grain left in the country from the last crop, as today's comparisons will be made with the supply of 689 million bu that was on hand in all positions January 1st. Since that time we have exported heavily; our domestic disappearance has been large, particularly with the amounts fed, and, therefore, the trade is looking forward eagerly to see what the disappearance has been during the past quarter.

For the time being the trade is not so much concerned with the Pace Amendment that has to do with the higher parity computation. Some believe that it will not be annexed to the OPA Bill for the reason that the President might use the strategy of his predecessor in vetoing the whole bill but giving his reason for negative action as due to the rider. Thus the sponsors feel that measure might be lost and we are informed that final action on the Pace Amendment may be delayed until early in May. What the ultimate result will be is anybody's guess, but with the administration still fighting inflationare tendencies, there seems to be a fairly good chance that nothing effective will be done during this season of Congress.

The government weekly weather and crop report was quite encouraging. Winter wheat is in good to excellent condition in the greater portion of the country; in fact, it is growing rapidly, with some jointing in the areas from Kansas to the Ohio Valley and in the Pacific States. Seeding of spring wheat has made rapid progress except for some delay due to rain and snow. The early-sown wheat is up to good stands, and all this leads to the conclusion that today's report forecasting yields should indicate a very healthy April condition. All this is not having much influence on wheat prices but with many figuring on the possibility of higher ceilings, there is certainly no pressure from first hands. There was more overnight moisture in the winter wheat belt, and coming at this season of the year it is more then welcome.

Primary receipts of wheat were very light today; amounting to 439,000 bu compared with 509,000 bu last week, and 771,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 362,000 bu.

About the only feature here was the great strength in rye, and our market responded readily to the 5¢ upturn at Minneapolis. This later had some sympathetic effect on oats, where prices had been reactionary in the early part of the trade but toward the last there was some firmness, and apparently shorts covered.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 April 11, 1946.

After the close of the market yesterday, the government report on farm reserves was issued, showing farm stocks of wheat as 204 million bu vs. 238 million a year ago. This came as no surprise to the trade, as all were cognizant of the tremendous amount of wheat which has been fed and that has disappeared in other channels. While no accurate conclusions can as yet be drawn until other figures are published, the visible Monday stood at 25 million bu against 79 million a year ago. On the 1st of January, interior mills had stocks of 108 million as compared with 160 million a year ago, and merchant mills, 95 million against 114 million the previous year. Using the January 1st figure for the interior and merchant mills, it would indicate that on the 1st of April there was at least 160 million bu less in all positions. So it can easily be seen that a radical reduction will take place in the carryover on June 30th from the 280 million with which we started the present crop-year. In analyzing stocks of wheat on farms, of the 204 million approximately 105 million bu is in the States of North and South Dakota and Montana, with North Dakota showing about 68 million bu. Therefore, if our government succeeds in its export program, it will have to look to the spring wheat States, as farm reserves in the winter wheat territory are limited, with only 25 million showing up in Kansas.

The brightest part of the government report of yesterday was an indicated winter wheat crop of 830 million bu. Should this yield be realized, it would be the largest crop on record and would compare with bumper yields in 1931 of 825 million bu and in 1945 of 823 million bu. Reports from the territory remain exceedingly bright, and prospects are being maintained with the possible exception of parts of the Texas and Oklahoma Panhandles, although as of April 1st, the government gives a prospective drop in Texas of about 60 million bu and Oklahoma 71 million bu.

In analyzing farm stocks of other cereals, the disappearance of oats from January to March was 410 million bu, or 94 million larger than for the comparable period of last year. Actual farm stocks are 152 million more than on April 1, 1945. For the period April to June, 1945, farm disappearance was 215 million bu. Corn disappearance for the January-March period was 860 million bu compared with 798 million a year ago. The disappearance from April 1st to October 1st of 1945 was 1,022 million bu, and if the same rate would prevail this year, farm stocks would be down to 49 million bu at the end of the corn season.

According to Sanford Evans, the Canadian exports of wheat and flour for thirty-six weeks ending April 5th have amounted to 266 million bu, an increase of 8 million bu over the previous week. Furthermore Evans estimates that the amount available for export during the last sixteen weeks and carryover are approximately 149 million bu.

Broomhall reports that fair quantities of grain have been moving out of Argentina during recent weeks against contracts made sometime ago, but that at the moment new business is at a virtual standstill. The official estimate of Argentina's exportable surplus of wheat has been raised to 69.7 million bu, as of the middle of February, although in some quarters it is believed this estimate is too low. From Australia it is reported that wheat stocks as of April 8th total 106.8 million bu. There has been a fairly healthy amount passing to India, Ceylon, and the Far East. Official circles are looking for a high increase in acreage sown for the coming season over that of last year. During the past month there has been good rainfall in the major portion of the wheat area.

Primary receipts of wheat totaled 773,000 bu, as compared with 779,000 bu a week ago, and 933,000 bu on comparable day of last year. So far this week total stocks in Kansas City and Minneapolis show a decrease of 520,000 bu.

In the early part of the session, rye was again strong selling close to the permissible daily limit but towards the end of the session liquidation set in with the closing prices lower than last night. Oats showed independent weakness throughout the session.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 April 12, 1946.

A recent radio forum on a topic entitled, THAT MEN MAY LIVE, had many distinguished speakers participating, such as Will Clayton, Clinton P. Anderson, Chester Davis, and Walter Straub. Their theme was the famine sweeping Europe, India, and China, with those peoples looking to us for deliverance. When Mr. Anderson spoke, he told of the present emergency food program, and claimed that it is the responsibility of every American. He alluded specifically to the American farmer's responsibility, saying that he had a triple task: (1) To produce more food than ever, (2) to conserve livestock feeding, and (3) to save just as other consumers are doing. This in our opinion is all very well as far as it goes, but we believe that even more could be accomplished if basic realities were given full consideration. We had a wheat crop of 1,123 million bu, the biggest ever raised. Our carryover was larger than average; total supplies including small imports amounted to 1,414 million bu. Ordinarily, our home consumption accounts for only 700 million bu; in addition to this, we had a 3 billion-bu corn crop, and likewise, a bumper yield of oats. However, the government saw fit to place floors under the price of livestock and ceilings over grain. The result was that our wheat supplies have been dissipated. We do not think that those agencies which shirk their responsibilities can avoid the blame which is attached to their action. Ever since the wheat supply of 689 million bu was announced last January, there have been pleas from grain men, from feed dealers, from economists, and from all others in position to know, asking for some correction in the distorted balance between corn prices and substitute grains. Even the tremendous increase in black markets failed to shake loose the crying need for a change, and now when there is some possibility that we may not be able to meet our export commitments, we are faced with such suggestions as bread rationing, smaller flour consumption, and other savings, which seem trivial in comparison with the waste that is attendant to the program of feeding, and which has been going on now for many years.

As we stated in a recent letter, about a billion bu wheat has been fed to livestock in this country during the past three years. Everyone is expected to help when it comes to saving human life, and we believe that the farmer and the housewife are willing to do their share, but we believe that the OPA should also be called upon to see its full responsibility in trying to bring about more normal relationships, which will mean that livestock will be marketed at more normal weights, while many producers will be able to get the same price for corn as grain as they now are able to obtain through feeding channels.

The carryover feeling from yesterday was slightly bearish. Oats have been independently weak, and when rye declined yesterday, there was a little increase in bearish sentiment, but it is generally recognized that there is no important pressure yet, and it may be nearly ninety days before there is a change in that direction. In the meantime, crop prospects are marvelous. Those who have traveled through the Southwest claim that the land looks like a garden spot, and this is all confirmed by the recent government report indicating a bumper yield for the winter wheat crop.

Primary receipts of wheat were small and amounted to 574,000 bu compared with 704,000 bu last week and 858,000 bu last year. Kansas City and M inneapolis stocks so far this week show a total decrease of 684,000 bu. We expect another shrinkage in the visible supply, but it will be less than last year when the decrease amounted to nearly 5 million bu.

Rye was again a favorite and while there were times when strength was displayed there seemed to be enough profit taking so that gradually it weakened and sold down the full 5¢ permissible limit. The action in rye very likely had something to do with the break in oats, although the latter cereal has been showing independent weakness during the past few days. Trade was moderate.

Congressman Pace stated that he was not offering his proposal to include farm wages in the parity formula as an amendment to the OPA Extension Bill. This may have had something to do with some of the selling today, and also the weakness in cotton. Distillers' inventories have been limited to a 7 1/2-day supply.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 April 15, 1946.

This is apt to be a rather busy week in Washington, with many matters pending, but probably most important is the extension of the OPA Bill with Mr. Bowles and Mr. Porter trying to influence sentiment for continuance of the present legislation. There are on the other hand a good many sound thinkers who believe the opposite; and at a special meeting held in New York by the Conference Board, several eminent authorities were against OPA almost as vehemently as they had opposed prohibition or NRA in former times. As Dr. Virgil Jordan put it, "What people would have to learn was that they cannot hope to control inflation until they find a way to control government ....The plain fact is that the American dollar is today and has been for thirty years the soundest and most stable; in fact, is now the only sound and stable currency in the world. The best and most obvious evidence of that fact is that everybody in the world and most people in America want to get hold of as many of them as possible, as soon as possible, and to hold onto them as long as possible." Professor Harper at the same meeting asserted, "Controls reduce production and, therefore, generate wholesale unprotection. Price and income benefits to everybody areprotection to nobody. And the problem of the poor, neither new nor newly critical, is made worse by the adverse effects on production. Controls do, of course, offer a form of protection to some politicians and governmental employees." There were numerous other arguments by highly regarded authorities, but space does not permit us to go more into detail in a treatise of this kind.

When our market opened this morning there was a rather mixed sentiment. First of all, the carryover feeling from Saturday was quite bullish. Rye had advanced the full 5¢ limit, and some of the buying orders, unsatisifed at that time, were apparently executed this morning at higher levels. There had been very fine moisture downstate, and through parts of the Southwest. The forecast was also hopeful for more precipitation. Northwest Kansas had not been favored, and the Texas Panhandle was also skipped, but in the maincrop prospects are still wonderful. Our Kansas City office had a letter today from Loveland, Oklahoma, that the crop was developing in fine shape and that harvest was set for May 10th to 15th if nothing happened in the meantime. Thus we might expect an early run of wheat in some of the Texas and Oklahoma sections, although often it is not safe to count on this because a spell of possible cold weather which might still cause some delay.

According to Broomhall, reports on France and French North Africa indicate that import requirements will be cut very sharply during the coming season if present prospects are maintained. Spain is expected to gather the largest wheat harvest in many years, and the same source also states that according to talk the Danubian Basin countries will be in position to make at least moderate exports. There also has been improvement in India; from Argentina we hear how generally heavy rainfall during the past week has put the soil in excellent condition for plowing, and that conditions are also reported satisfactory for wheat planting in Australia.

Primary receipts of wheat today totaled 611,000 bu compared with 867,000 bu last week, and 2,200,000 bu last year. When the visible figures were posted they showed a decrease in wheat of 1,663,000 bu, leaving a total of 23,436,000 bu, or slightly over 51 million bu less than on hand a year ago. Oats declined 2,472,000 bu. Wheat stocks in Chicago show a decrease of 32,000 bu, and now stand at 448,000 bu.

Representative Steven Pace stated today that the decision not to attach the Pace Bill, which would add farm labor costs to the parity price formula, does not mean that a fight to enact it into law has been abandoned. He feels that there is a chance for an early enactment, and that it has enough support in Congress to override any Presidential veto.

The rye market, which had shown some weakness toward the middle of the session, rallied after the issuance of the Pace Statement.

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CHICAGO, 4 April 16, 1946

In looking over the summary of headlines in the newspapers this morning, one notes new curbs seek to bring back butter and meat, increased subsidies for milk effective May 1st, slaughtering quotas to be re-established in an effort to divert the supply of available livestock into established packing plants, further restrictions on the use of wheat, etc. All the new proposals are made over the objection of the several trades involved, which have more or less devoted a lifetime to serving different forms of food to the public. Thus it seems that planning leads to additional planning, and subsidies to additional subsidies. The public as a whole is totally unaware as to the extent subsidies have been used. It is like a shot of morphine, which leads to more and larger doses. When the subsidy first won popular support, it was done with the claim that it would be a rather relatively inexpensive method of stabilizing prices. It is estimated that federal subsidies on food products for the three-year period ending June 30th will total $4.8 billion, and if continued for another year, as advocated, it would require an additional $1.75 billion. This would bring the total to over $6 1/2 billion, all of which has been paid from the federal treasury in lieu of higher prices. The source of treasury funds is the taxpayer. Consequently while the appearance is given of holding down food costs, in reality the taxpayer is indirectly paying higher costs through his tax bill. This method is being resorted to at a time when bank accounts are swollen and the purchasing power of the public is the highest in the history of this country, and where some increase in the cost of foods would help syphon off the increased purchasing power and act somewhat as a check on the inflationary spiral. As expressed by one agency, "The subsidy program places the farmer in a position of dependence on the generosity of the government and subject to the possible disastrous effects of unpredictable decisions of a political agency." The longer subsidies are invoked, the greater becomes the artificial relations which they create and the greater the resistance to their discontinuance.

Arguments are now being heard in Washington that OPA should be continued for another year, but in scanning the news one witness stated that price control should be continued until at least 1948. Some months back, Secretary of Agriculture Anderson ably expressed the thought that subsidies should be eliminated as quickly as possible, particularly while prices were high and before any recessions had set in. However, the Secretary's earlier thoughts seem to have been reversed by other "powers that be" in Washington.

Some additional moisture occurred over parts of the Southwest yesterday, but was in no way general. There are still sections of the Panhandles in Texas and Oklahoma where moisture would be welcome. From a very good friend of ours in the Northwest, we hear that while the past week has been on the dry and cool side, with winds, seeding has made good progress and is general over the whole territory, with seeding completed in southwest North Dakota and southern Montana. The same source reports that there has been some soil drifting and damage to winter wheat in north central Montana, but outside of that area no harm has as yet been done from the continued dry weather.

From all we can gather offerings of wheat from the country still remain rather small, and in some sections there is a tendency to move wheat from the farm to the country elevator, but same is not being offered for sale in any general way. Surplus wheat at terminals continued to be taken by the CCC.

Primary receipts of wheat today totaled 835,000 bu compared with 1,053,000 bu a week ago, and 1,138,000 bu a year ago. So far this week stocks at Kansas City and Minneapolis show a net decrease of 95,000 bu.

According to Washington dispatches great indignation is being expressed by southern Senators over the recent increased cotton margins. This group is now seeking to exempt certain farm products from price control. Senator Bankhead has appointed a sub-committee of five members to survey opinions in the Senate on which farm products should be considered out of bonds for the OPA.

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CHICAGO, 4 April 17, 1946

Grains are a matter of international trade. While wheat comprises the largest single item, the combined quantities of wheat, corn, oats, rye, and barley entering into international trade totalled about 1376 million bu, the yearly average during the period 1925-29; approximately 1,316 million yearly average 1930-34; between a billion and 1,200 million during the years 1935, 1936 and 1937, showing an average of over a billion bu. Formerly buyers and sellers in all parts of the world were able to interpret the size of crops, growing conditions, etc., and could get together and freely exchange goods through the use of the futures markets. By the same instrumentalities, the risks of handling crops were minimized, despite the fact that harvest in any one section covers a relatively short period, while distribution goes on for twelve months. Subsidies, quotas, and such artificial methods have been a great detriment to international trade, and have led to the erection of unhealthy barriers. Whenever a buyer feels that the seller is asking an unduly high price for his product, consumption is curtailed or substitutes found. Whenever a manufacturer-producer finds that his costs have risen too high, new technological improvements are sought.

As far as grains are concerned, new hybrid seeds have been developed, which have either given larger yields or a hardier plant. For a number of years Russian scientists have been crossing wheat with certain wild plants to develop hybrid strains possessing food properties of one and hardiness of the other. At the present time experiments are being conducted in that country, and to a more limited extent in this country, with the crossing of wheat with certain strains of grass to produce a perennial wheat plant that might yield from three to four crops a year. So far experiments have not been made on any large scale, nor have any commercially satisfactory results been obtained, but at the moment on the State Farm in Russia, they are having some success with the crossing of wheat and barley strains, which have resulted in a wheat plant bearing many more grains to the ear. Science has made great advances with hybrid corn, and also, in developing more rust-resistant wheat. While no promises can be made of a perennial wheat, scientific developments in the near future could have a far-reaching effect on the cost of production.

The House today voted by an overwhelming majority against a motion that would have killed price control as of June 30th, which now opens the way for amendments or any changes that may finally be made. In the meantime, one reads daily of distortions which are taking place through price ceilings. While not a major item, an article in the Wall Street Journal states that supplies of maple syrup this year will be about one-third of normal due in part to weather, but also, in part to syrup ceilings and prohibitive labor costs. They further state that transactions in the black market are rampant. With the ceiling price of $3.30 a gallon, buyers are practically going from house to house in Vermont and paying from $10 to $15 a gallon.

Government Weekly Weather and Crop report indicates that winter wheat in the Rockies region westward is making good growth, and in the Great Plains conditions are good to very good, except in the more southern portion of western Oklahoma and northwest Texas, and New Mexico. They further point out that spring wheat seeding is active to the north border of the Dakotas, and is nearly finished in many sections. Corn plowing is about half completed in Iowa. There was no moisture of consequence overnight, and rains in the dry sections of Texas and Oklahoma would be very welcome.

Primary receipts of wheat today totaled 344,000 bu compared to 369,000 bu a week ago, and 944,000 bu comparable day of last year. So far this week wheat stocks at Minneapolis and Kansas City show a total decrease of 491,000 bu.

There were a few small transactions in the wheat pit today, but nothing of any consequence; yesterday trading in that cereal was at an absolute standstill. Rye opened with a firm undertone but was subject to considerable liquidation. There was a sale of cash #2 rye reported from Minneapolis at 35¢ over, but the premium was at least 5¢ under the basis of yesterday. Oats showed weakness. The new crop is making good progress, and with a large carryover indicated feeling toward this cereal is a little more bearish.

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CHICAGO, 4 April 18, 1946.

In the final roll call today, the House passed by an overwhelming majority an amended OPA Bill extending the life of that organization until March 31, 1947, with many restrictions including an amendment abolishing all meat subsidies on July 1st; the gradual reduction at the rate of 25% each 45 days after July 1st on food subsidies which would end that program December 31st; an amendment to remove price ceilings on any item when its output reaches the level of the year ended June 30, 1941; and an amendment to assure a reasonable profit plus operating costs. The Senate Banking and Currency Committee are now conducting a hearing on the price control extension and, of course, the final outcome of the bill as approved by both Houses is still unpredictable.

However, in the form as passed by the House, there are several items of great interest to the grain trade. First in importance would be the removal of price ceilings on any item when its output reaches the level of the year ended June 30, 1941. We have no way of knowing how this would be interpreted, as far as agricultural production is concerned, but looking at the records, it would appear that wheat, corn, and oats will come under the category of having an output equal or exceeding that of June 30, 1941. The wheat crop in the period mentioned totaled 813 million bu; with a carryover of 279 million bu, or total supplies available of 1,092 million bu. The corn crop was 2,462 million bu, with 541 million bu given as farm reserves on October 1, 1940, or a total of slightly over 3 billion bu. The oat crop figured 1,245 million bu, with farm reserves on July 1st at 219 million, or a total of 1,464 million. From present prospects, and figuring the carryover, the bill as outlined in the news reports, if finally enacted might mean the elimination of ceilings on these three cereals. Rye and barley would still qualify for restricted ceiling prices.

In commenting last night on the radio as to the final action of the House, Mr. Bowles in blasting the proposed program stated that the elimination of subsidies would raise the food bill for the individual family by $70 a year. This would mean $1.35 per week, or using the accepted average of five to a family 27¢ per person per week. This seems to be a very small increase to pay for the artificial situations created by subsidies. When spread over the country it would appear to be much less inflationary than the expenditure on part of the federal government of $1 3/4 billion, which is the estimated cost of a year's extension of food subsidies. Undoubtedly this would create some hardships, but as mentioned so many times in our letters, with the present swollen bank accounts and the amount of money in circulation, there has never been a period in the history of this country when the cost of food could better be paid by each individual consumer. One has only to go into any retail store today to see the mad scramble that is on for merchandise to have some realization of the spending power of this country. Quoting from Professor F. A. Harper's splendid presentation in THE CRISIS OF THE FREE MARKET, "Another outlet for price correction is for the government to pay all or part of the price, over and above what appears on the price tag. In thinking of this as a method of price control, it is highly important to remember that a government is not a thing apart which can really pay for things by itself as one person might buy groceries for his destitute neighbor. The government has no pocketbook of its own and no buying power in its own right; it can buy only by using the pocketbooks of the citizenry or by diluting the currency (which is, again, that selfsame process which our price controls are designed to prevent)."

Primary receipts of wheat today totaled 674,000 bu compared with 773,000 bu last week, and 998,000 bu similar day last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 564,000 bu.

No further information was heard from Washington as to the possible 7 point program proposed by the Famine Emergency Committee, in which they recommended an advance, at least temporarily, in corn ceilings in order to discourage hog feeding and increase corn marketings.

Weather continues mild over the grain area. There was some covering of oats today by shorts after announcement was made that the House had approved the OPA extension with reservations as mentioned in the fore-part of this letter. The rye close was the highest on the crop.

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CHICAGO, 4 April 22, 1946.

The action of the House last week in passing the OPA Extension Bill, greatly curtailing the power of that agency and tilting lids, has lead to nation-wide discussion of its possible inflationary effects. However, we believe that many people erroneously feel that permitting prices to rise is inflation. This is putting the "cart before the horse," as advancing prices are a sympton of inflation and not the cause. The real groundwork of inflation has been laid by actions previously taken. Probably the primary cause was the tremendous wartime expansion of the supply of money in comparison with the supply of goods for civilian use. This expansion has always taken place during a war era; secondly, the consistent lowering of interest rates has been another contributing factor; thirdly,deficit financing on part of the government, particularly through the payment of subsidies and other expenditures, which could have been passed on to the individual in a higher cost of living. Following V-J Day, the best way to have neutralized the expansion of money would have been by a rapid and large expansion of civilian goods. In planning, those responsible had calculated on a deflationary period with large unemployment. To offset this situation, wage increases were encouraged without permitting these additional costs to be passed on to the consumer. Instead of unemployment, there has been practically full employment. The buying power of the public has been enlarged through an increase in wages, and production has been hindered by failure to permit manufacturers to pass on this increase.

Under the system of free enterprise, whenever inequalities existed, there was always great liquidity in adjusting prices. The difficulty with planning is that the price structure becomes rigid and is not amenable to quick and daily changes. For many months the grain trade has been pointing out the disparity between the price of corn ahd the price of animals, and has been strenuously advocating an advance in the corn price, which if acted upon many months ago would have greatly eased the present frantic attempt to accumulate wheat for famine relief. The government has seen fit to grant a bonus of 30¢ a bu to producers on wheat and corn instead of allowing ceiling prices to advance. There should be a rather free movement of wheat from farms under the present bonus arrangement, and a good movement of corn, but had they advanced the ceiling 30¢ a bu on corn it would have acted as a two-edged sword by encouraging marketing and also encouraging additional planting.

Reports are being received from England that the southern portion is having the warmest April in forty years, and farmers are finishing sowing spring wheat. Winter wheat and crops in general in England are in good condition. Also hopeful news was received from Southern Russia; according to the Associated Press, farmers have been busy completing sowing, and prospects are for a large grain crop; in the Ukraine we hear that spring sowing has been completed. In this country, one of the best posted houses in Illinois states that winter wheat is making fine progress, with very little abandonment, that so far the crop has come through in excellent condition, and spring work is proceeding and is considerably ahead of normal.

When the visible was posted wheat showed a decrease of 2,847,000 bu, and now totals 20,589,000 bu, or 47,545,000 bu less than a year ago. Primary wheat receipts today totaled 908,000 bu against 611,000 bu last week, and 1,513,000 comparable day a year ago.

Quite a few inquiries are being received from points in Illinois offering corn subject to the new 30¢ bonus, but until details are furnished by the Commodity Credit Corporation as to themethod of handling such offerings very little actual business transpired.

Rye was again strong, and traded throughout the session at the full 5¢ permissible daily limit. Oats had a weaker undertone. The urgent short covering of last week has all been taken care of, and for the moment the main bullish news seems to have run its pace. While the general tendency is for firm prices in all cereals, with the large carryover and present prospects oats are on more debatable ground.

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CHICAGO, 4 April 23, 1946.

The Senate Banking and Currency Committee is expected to complete its hear ings on the extension of OPA sometime this week. Being a highly controversial issue, it is very difficult to try to appraise final results, although opposition to the present authority of OPA seems to have gained considerable strength in some Senatorial quarters. It is felt that the provision as outlined in the House Bill to remove price controls when production reaches 1940-41 levels has a very fair chance of standing up in the Senate. The recent action of OPA in insisting on higher margins for cotton has aroused the ire of quite a few members of the Farm Bloc. Undoubtedly attempts will be made to take away from that agency the authority to impose margin requirements.

There can be no question that the American people have always been over-ge nerous in aiding any stricken country, and the famine existing in many sections of the world will prove no exception. There has been much propaganda and a great deal of appealing to the emotions. Unquestionably many of those who are flooding members of the Senate with telegrams and letters are not thoroughly cognizant of food conditions. Secretary of Agriculture Anderson, in an altruistic appraisal, told his press conference that there is not enough wheat in existence to give UNRRA 700,000 tons a month for which it is asking for export to Europe and Asia. Probably many uninformed people are not aware of the fact that from the early 20's until the outbreak of the war this country, with few exceptions, was a net importer in dollars of foodstuffs, including fats and oils. In other words, our imports in dollars and cents exceeded our exports. Naturally, the pressure for relief will be extremely heavy until new crops start to move. Fortunately, news on foreign crops is of a more encouraging nature. While production cannot equal the pre-war period, progress is being made in restoring agriculture. Broomhall mentions today that his correspondent in the Balkans states the spring grain sowing campaign in Bulgaria is being carried out under favorable conditions.

Sanford Evans reports that weather during the past week has been generally fine throughout the Prairie Provinces, and with the continuance of fair weather field work will go rapidly forward in all three provinces. Spring rains in Alberta have been below normal, with practically no precipitation in the east central sections of the province in the Peace River district, but otherwise conditions are favorable and surface moisture is generally reported in all districts sufficient to germinate the crop. In this country there were some scattered rains Southwest running from heavy to light. It does not appear as though the Texas Panhandle received very much, although there was some moisture in Amarillo. There were also rains reported in our Northwest and Central States.

The trade is still awaiting issuance of regulations covering the New Corn Order whereby 30¢ a bu bonus is to be paid to the producers on certain corn grading #1, 2, and 3, and some restriction on #4. In the meantime business is at a standstill. Press dispatches seem to indicate that a very large proportion of the bonus corn will go for export, which would mean that the better quality corn would move abroad while industry and feeders here would be called upon to consume the lower grades. There is considerable speculation as to the amount of corn which will actually qualify for the bonus payment, as there are many who believe that a large part of the corn in Iowa, in the Northwest, and in the northern portions of Illinois and Indiana will run under the grade specified. We would imagine it would lead to a great deal of dissention among producers whose corn may be on the border-line grades. In sanctioning the 30¢ bonus rather than an advance in prices, the OPA is more or less condoning black markets by paying a direct bounty to farmers equal to about what had been prevalent in the black market. We still strongly feel that in the final analysis it would have been better to have advanced ceiling prices. If same had been done corn would have immediately flowed into the market without waiting for regulations. The consensus in the wheat territory seems to be that the30¢ incentive payment will lead to rather heavy marketing of wheat.

Primary receipts of wheat totaled 445,000 bu compared with 835,000 bu last week, and 1,717,000 bu last year. So far this week stocks at Kansas City and Minneapolis show a total decrease of 94,000.

Rye again acted in a very erratic manner, and under the present high margin arrangements the market lacks the proper balance.

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CHICAGO, 4 April 24, 1946.

The Board of Representatives of the United States, Canada, and Great Britain has been called into session to pass on an allocation program for wheat exports for famine relief. Yesterday, Committee Chairman Chester Davis informed a news conference that exports from this country for the first ten days of April had fallen 28% short of the target, and intimated that there was little possibility of the United States meeting the April relief export quota of 1,100,000 tons of wheat; also, that for the period January 1st through April 10th they were short 407,000 tons from the established goal. According to figures of the Bureau of Agricultural Economics, the total stated world import requirements of wheat and flour for the year ending June 1946 are over 1,200 million bu. They further point out that the prospective exportable supply of wheat, including flour, for this period in the United States, Canada, Argentina, and Australia, which are the main exporting countries, is estimated at 860 to 900 million bu. While this is an all-time record it still is sharply below the quantities requested.

Looking at the situation in this country on basis of the January 1st stocks of wheat in all positions of 689 million bu, the January-June disappearance for feed is estimated tentatively at 70 million bu; 23 million bu for seed, and allowing for a carryover of 150 million bu would leave approximately 450 million bu available for human consumption and for export. If the present 80% extraction rate of flour will save 20 million bu, as has been estimated, it would reduce the domestic and military food requirements to about 250 million bu, leaving the amount available for export in the last six months of about 200 million bu against a required quota of 225 million bu; therefore, it can be seen that other savings are necessary. We believe that the tentative figures given on disappearance for feed purposes are probably underestimated, and that if goals are anywhere near reached the carryover may be less than 150 million bu. Relief commitments with a sharp decrease in the carryover, are being contemplated on the strength of the April 1st crop report estimating a winter wheat yield of 831 million bu, and figuring on a possible spring crop of 257 million bu. This, of course, would be a bumper yield, and the fourth crop of over a billion bu. It is still too early to arrive at any definite figures on the final yields for 1946; spring wheat is hardly in the ground, and winter wheat is still subject to the vicissitudes of weather between now and harvest.

While conditions remain favorable in large sections of the winter wheat territory, there are still areas where dry weather has persisted and where timely rains will soon be needed. We refer particularly to parts of the Texas and Oklahoma Panhandle, as well as other portions of Oklahoma. The U. S. Weather Bureau stated today that the growing season in America's farm belt is off to the driest start since the drought years of the late 30's, and general rains will be needed within two weeks to maintain present crop prospects. They further intimated that weather runs in cycles and that we may be emerging from a wet cycle, which has been very favorable for crops since 1937. We do not wish to paint any pessimistic picture because in a very large percentage of the belt subsoil moisture can carry the crop for some time. We merely mention the statement of the Weather Bureau to call attention to the fact that this country could be faced with a serious situation if any misfortunes should occur, and prospective supplies should not be too greatly discounted.

Primary receipts of wheat today totaled 403,000 bu compared to 344,000 bu last week, and 1,150,000 bu last year. So far this week stocks at Minneapolis and Kansas City show a net decrease of 244,000 bu.

Further instructions were issued by the Department of Agriculture for handling the emergency purchases of corn. The instructions appear to permit the flow of corn through normal channels, but there are many technical points which have to be cleared up, and at the moment great confusion exists in the trade, both in the country and at terminals. Until these points have been clarified it is practically impossible to book any corn. Things are at a standstill, with stocks accumulating in the country. Undoubtedly there will be many producers dissatisfied with the present 30¢ bonus, as a great deal of corn was sold at the ceiling price with an implied assurance that it would be the maximum price for the 1945 crop. We also believe from what we hear that there will be great dissention on part of producers whose corn will not qualify for the additional bonus payments. Undoubtedly the acceptance of only the better grades will act somewhat as a

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April 25, 1946

The kinks are being pretty well ironed out on the bonus payments to farmers for shipping wheat and corn. We have no doubt that a considerable amount of grain will be moved under the present plan, but the difficulty with schemes of this nature is that they act merely as palliatives and do not correct fundamental differences. Present ceiling prices have led to great distortions--to practices which under more normal conditions would be frowned upon, and under present world needs do not offer the producer sufficient inducement to further increase acreages. If under the present incentive payment, the 50 million-bu goal of corn is reached by the government agencies, and a large share is used for shipment abroad, it is still not going to relieve the processors and feeders, and undoubtedly black market operations will still prevail. The government in paying this bonus to the farmer instead of permitting a price advance is more or less recognizing the prevailing pride in the black market, and this will probably bid up the price to those who have been resorting to such practices. From all we can gather in practically all countries where grain is scarce and prices are fixed by governmental edict, black markets exist. One correspondent writes that in Italy wheat can be sold on the black market at 10,000 lire per quintal compared with the official control price of only 750 lire.

In studying present world conditions one should be impressed with the fact that governmental controls and planning cannot deal quickly with changing conditions. In the past these adjustments have been rather rapid when free and open markets existed. Even though an incentive is now being paid to producers, there are undoubtedly quite a few farmers in this country who figure that prices might go higher and who still prefer under such conditions to withhold their supplies rather than to have the cash. Formerly under the free price system, prices would advance to a point to satisfy the producer, bins would be scraped so as to meet the needs of processors, feeders and export, and when the more urgent requirements had been accounted for price recessions would then be in order.

According to a recent release of Sanford Evans, stocks of Canadian grains in all positions in North America as of March 31st totaled approximately 213 million bu compared with 545 million the year previous; 762 million bu for the same period in 1943, and 566 million bu in 1942. Stocks of oats similarly show a large decrease from the past several seasons, totaling 168 million bu this year as against 255 million in 1944, and 393 million in 1943. As of April 5th, estimated exports of wheat and flour for thirty-six weeks totaled approximately 265 million bu, or about 8 million bu larger than the preceding week. The estimated amount available for carryover and export for the last sixteen weeks is approximately 149 million bu. On July 31, 1945, the Canadian carryover totaled around 258 million bu.

There was no moisture reported overnight throughout the grain belt, and weather is mostly clear and warm. The Nebraska Weekly Weather Report states that crops made good progress during the week, a little corn was planted, although surface soil is dry. However, in general the moisture supply is not as good in that State as it was a year ago.

During the session the Department of Agriculture announced that the corn accumulated under the 30¢ bonus plan will be used (1) exported as whole grain for human consumption, (2) exported as processed meal and grits, and (3) supplied to domestic processors for manufacture of essential products approved by the Department. These products will be principally starches needed by basic industries, such as steel, textile, pharmaceutical, and paper. They further announced that none of the corn purchased under the program will be used for feed.

Primary receipts of wheat today totaled 325,000 bu compared to 674,000 bu last week and 1,408,000 bu last year. So far this week stocks at Kansas City and Minneapolis show a net decrease of 450,000 bu.

There was no particular market news overnight; many commission houses have raised original margin requirements on May rye, which probably will have a further tendency to curtail trading in that cereal. From reports we understand that mills are flooding the CCC with inquiries for wheat from which to grind flour for government export. Many mills are eager to conserve rapidly dwindling wheat supplies, and we understand some have reduced operations to about half-time.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 April 26, 1946

After the close of the market yesterday, the government report was issued showing stocks of wheat in all positions, as of April 1st, as 338,644,000 bu. This is a disappearance in the three-month period, January 1st to April 1st, of approximately 351 million bu, and is 44 million bu under the Department's estimated requirements for the April-June quarter, allowing for a carryover of 125 million bu.

This report confirms what we have consistently pointed out in our letters for many months-- the extravagant use of wheat for feed and abnormal dissipation of prevailing stocks. It also points out very clearly the almost impossible task of planning agriculture through means of ceiling prices, subsidies, and other artificial methods rather than through the normal channels of free markets and free prices. In the past few years we have dissipated a vast quantity of the choicest wheat raised for human consumption. As expressed by Mr. R. S. Hutson, former Conservative British Minister of Agriculture: "It is not any bad harvests that reduced the wheat carryover in the United States and Canada from 45 million tons in 1943 to 23 million tons last year, and 11 million this year. If a similar situation had started to develop in normal times, there would quickly have been automatic adjustment of prices, which would have made it unprofitable for the farmer to feed wheat to animals, or brewers to buy wheat for beer." Should any disaster occur to the present growing crop and grain supplies be unduly curtailed, the blame can be placed mainly on faulty price-fixing in the United States, and the attempt in Canada to prevent the farmer from too much dependency on wheat. The present policy of paying a bonus to the wheat-grower in order to move supplies from the farm and make same available for famine relief in Europe has come months too late, and in disregard to the urgent advice given months ago by those who have devoted their lives to handling farm products.

We are now entering the usual period of crop scares. At least eight years out of ten there is a tendency to over-emphasize unfavorable reports, and we have always been prone to discount same, but in view of the present government program for relief, and in view of the stocks on hand as represented in the April 1st report, we would be remiss if we did not point out that reports are now being received indicating some deterioration from the April 1st condition. The Robinson Elevators, whose reports we normally consider quite dependable, state in part: "After having made a trip over the northern half of Kansas in late March, and having checked over the same territory the middle of April, we are not as optimistic as the April 1st report indicates. This section has been lacking in subsoil moisture since last fall, and while it did receive good rains in March, they did not replenish the subsoil reserve, and during April only light precipitation has occurred." Other messages received from individual observers indicate that in their own opinions the crop in the Southwest has gone backward. V. C. Childs, Federal Crop Statistician for the State of Texas, states that large areas in Texas, Kansas, and Oklahoma are in urgent need of moisture for the winter wheat crop, and that in the opinion of grain men, the Texas Panhandle will produce a winter wheat crop sharply below the federal April 1st estimate. We have seen many times in the past when timely rains have alleviated early fears. We are writing this at length because we think those responsible for the present planning of the use of supplies are taking undue risks until more accurate estimates can be made as to the size of the coming crop.

Primary receipts today totaled 468,000 bu as compared with 1,571,000 bu on the same day of last year. Owing to a holiday no figures are available for last week. So far this week stocks of wheat at Kansas City and Minneapolis show a net decrease of 569,000 bu, and when the visible is posted on Monday it will compare with a decrease a year ago of 4,984,000 bu.

Rather encouraging news is being received from the Argentine, where heavy rains occurred during the first part of March, which put the land in excellent condition. Rainfall from January 1st to March 25th is reported from 2.11 inches above normal in the North to .59inch in the South. According to Sanford Evans, as of April 18th, the estimated Canadian exports of wheat and flour for thirty-eight weeks totaled 275,838,614 bu, or about 4 1/2 million bu for the week. This now leaves an estimated amount available for export and carryover for the next fourteen weeks of 138 1/2 million bu.

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CHICAGO, 4 April 29, 1946.

Showers occurred over the week-end in portions of the Southwest, and while there was no general relief from the existing dry condition, there were several points in the Texas Panhandle reporting light rains. There was also a shower in Garden City, which is in the Dust Bowl section of Kansas, although none was reported at Dodge City. Our reports also indicate that a rather fair amount of rain fell in the area tributary to Altus, Oklahoma, which is a very good wheat-producing section. The present weather forecast points to fair weather in the western portions with showers in the east. Moisture has not relieved any wide area of the western third of the winter wheat belt, but whatever has occurred is of a beneficial nature.

The number one food problem at the moment is relieving the famine condition in Europe and other parts of the world. In looking over statistics released by Sanford Evans, we note that world shipments from August 1st to March 22nd of this year are calculated at 564 million bu. In comparing these figures with several pre-war years, we find that in the season 1938-39, shipments from August 1st to March 22nd totaled 373 million bu vs. 600 million bu for the twelve-month period ending July 31st. In the crop-year, 1937-38, shipments up to March 22nd were 375 million bu compared with 511 million for the twelve-month period, and in the year previous; namely, 1936-37 shipments were 447 million bu compared with a total for the Canadian crop-year of 595 million bu. Thus it can be seen that with the percentage of the total year's exports in past years, which have occurred between the end of March and the 1st of August, and with the present statistical position of wheat a real major problem is presented to gather the necessary supplies to meet present quotas. Of course, the Canadian wheat year starting as of August 1st includes at least 1 1/2 months of the new wheat movement from the United States, and in order to meet our obligations it may be necessary to drain off a large percentage of the early production in Texas.

In analyzing the difficulties of the present existing supplies, the British government in their latest White Paper on the international food situation states that the great trouble originated from the poor crops harvested in 1945. They estimate that in Europe the areas sown to bread grains last year was about 25% below the pre-war average due to the disruption of war at the time of seeding, but on the planted acreage yields of approximately 25% below normal owing to drought in South Europe, shortages of fertilizers, and inadequate cultivation. Although no official figures were available during the war period, the 1944-45 crop was estimated to be about fifteen per cent less than the previous year and about 47% below the pre-war average. As to what the actual requirements of Europe are at the moment is difficult to estimate. There is no doubt that the great sufferers are in centers of large population, but undoubtedly in the rural districts grains are being held back. One correspondent who has traveled extensively through the Continent states that Germany has worked hard to restore her acreage to normal, and in Western and Southern Europe more land is being placed under cultivation than in 1944-45. Reports fromEurope indicate that the over-all grain crop outlook is quite satisfactory --much improved from a year ago, but timely rains are now needed in many sections, although the Mediterranean countries, which were the principal sufferers from last year's drought, have enjoyed unusually favorable conditions to date.

When the visible figures were posted today, wheat showed a decrease of 2,969,000 bu. The total visible stands at 17,620,000 bu or 45,530,000 bu less than a year ago. Chicago stocks of wheat decreased 71,000 bu leaving a balance of 328,000 bu, while stocks here of rye increased 22,000 bu leaving a balance of 543,000 bu. Primary receipts of wheat amounted to a total of 537,000 bu, as compared with 908,000 bu a week ago, and 2,038,000 bu on comparable day of last year.

Rye was under pressure throughout the major portion of the session. With tomorrow the first day for delivery notices to be put through the clearing house, more and more attention is drawn to the fact that in approximately three weeks' time, trading in the May future will cease, and then ceiling prices will be effective on all futures. While we do not expect any rye to be delivered in the next few days, nevertheless it has caused hesitancy in the markets with rye selling down the permissible daily limit.

Oats showed more independent strength, although the more deferred futures were somewhat easier.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 April 30, 1946.

After the close of the market yesterday, the Department of Agriculture issued parity prices on principal farm products as of April 15th. The trade was somewhat surprised to learn that the Department had revised the March 15th figures upwards 1¢ on the major cereals, so that in issuing the April 15th prices, wheat, rye, and corn show an increase of 1¢ per bu during the past thirty days instead of 2¢. Parity on wheat now stands at $1.60; rye $1.30; corn $1.16; and oats 72.2¢ per bu. According to the government's method of computation parity on wheat has risen 7¢ since April 15, 1945.

Unexpectedly overnight the Commodity Credit Corporation announced an entirely new method of handling corn to be acquired under the 30¢ bonus program. Under the original arrangement, corn was to pass through normal channels and the entire grain trade was set to be of assistance to the government in carrying out its program. It took a few days before regulations were thoroughly understood, but immediately thereafter corn started to move from the country. This morning an order was issued that, "Effective immediately country shippers shall discontinue submitting to terminal representatives' offers to purchase corn acquired under emergency purchase program and shall wire this office (CCC) collect for shipping instructions." A further message from Washington stated that due to the urgency to move corn immediately for export, to dry corn millers making products for export, and to wet processors for essential products, the CCC was ordering the country shipper to move corn direct to ultimate destinations. Had the Commodity Credit Corporation continued under the original plan, we see no reason, after proper instructions had been issued, that corn would not have been expediently handled. As it is we believe that the CCC will find itself enmeshed in a world of detail, possibly necessitating additional clerical force, all of which could have been handled through normal trade channels. We think this is a regrettable move. The CCC was not set up originally as a merchandising organization. The private grain trade has the machinery, built up over the past one hundred years, to efficiently handle the movement of grain from the country, and they cannot long continue to efficiently function if more and more their prerogatives are taken away. Some country shippers are dissatisfied with the new program, as they are very fearful that billing instructions will be delayed and coming at this time of year, if the corn is to be moved it has to be done very quickly. Otherwise the farmer will be busy in the field and not in position to haul his corn to market. There is also an expression from some quarters that country shippers will hesitate to handle the corn under the new arrangement, as it is the farmers' corn and not theirs, and they refuse to take any responsibility. We still hear reports from the country that black market operations are continuing, and that the farmer is being offered in cash 30¢ over ceiling prices with no deductions made for grading.

Primary receipts of wheat today totaled 766,000 bu compared with 445,000 bu last week, and 1,216,000 bu last year. So far this week stocks at Kansas City and Minneapolis show a net decrease of 70,000 bu.

Weather reports this morning indicated some additional rainfall in sections of the Texas Panhandle, and while not heavy offers some beneficial relief. A very well posted grain man in the spring wheat territory writes that for the past two weeks the weather as a whole has been warm, dry, and windy, permitting seeding to progress at a rapid rate, and is nearing completion even up to the Canadian boundary. He further states that some stations in Montana reported seeding discontinued because of dry weather, with very little actual damage reported so far. However, since his letter was written, we received information that Montana had a very general rainfall this morning.

According to reports from Canada, there is a possibility that Canadian wheat price for domestic consumption may be increased. However if the increase is to be granted it should be announced in the near future in order to encourage additional planting.

The rye market at the moment has several crosscurrents to it; first, and foremost, is the fact that trading in May futures cease in about three weeks' time. There was some thought that deliveries would be made on the first of the month, but so far we have heard of no intentions being placed through the Clearing House. On the other hand there is some question as to whether rye flour will be placed under price control June 1st.

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CHICAGO, 4 May 1, 1946.

It is very unfortunate that the CCC saw fit to change the original arrangements for handling the bonus corn. When the first order was issued, which sent corn through regular trade channels, it took a few days to straighten out the details, but the scheme was just becoming operative with a good response from country shippers, and producers seemed to be wholeheartedly cooperating with the government program. The last set of regulations which force the country shipper to deal directly with the Commodity Credit Corporation have again left the situation in a very confused state, and at least temporarily slowed up the movement of corn. It also has led to the expression of resentment in many quarters. All through the war emergency the grain trade worked conscientiously with the government and performed a Herculean task in handling supplies. It seems difficult to understand at this stage of the game why the CCC should now circumvent the grain trade and deal directly with the country. This certainly does not conform with the original concept of the CCC, which was organized to handle grains placed under the loans. From many sections of the country we hear expressions of great dissatisfaction with the present order. The country shipper prefers to go through his regular grain sources rather than deal directly with the CCC, feeling that the issuing of shipping instructions, handling of papers, and the payment of funds can be done more efficiently and q uicker by the organized grain trade rather than with the government agency. Furthermore, with the government purchasing the grain right from the farmer, country shippers are a little hesitant about "standing in the middle." We have also heard of a few instances where shelling operations have been called off. In order to accomplish in the near future the goal set, it is necessary that everything be done to act quickly and expedite the movement. Before many weeks pass farmerswill be actively planting corn and soybeans, following which they begin to harvest their early crops. During this period they are too fully occupied to permit the hauling of corn to country stations. Therefore, any delays in promptly moving corn will cause a lag in the government's program. There is a meeting being called this afternoon in Chicago between the officials of the CCC and different grain organizations, and we hope that the outcome may be a discontinuing of the government agency dealing direct with the country.

Senators from five of the largest wheat producing areas have apparently banned together in an attempt to bring together government and trade viewpoints for the handling of the 1946 crop. The group is planning to call a meeting the early part of May, to which will be invited top officials of the Department of Agriculture, OPA, representatives of railroads, wheat producers, flour millers and representatives of the grain trade. The piercing of price ceilings on part of the government in the form of bonus payments on wheat and corn does not seem to be the correct answer. It has antagonized farmers who have already marketed their product in good faith with the idea that ceiling prices would not be advanced during the season. The present 30¢ bonus on corn is only a temporary measure; it does not get at the heart of the distortions which have occurred in the feeding program due to the existing ceiling prices on corn, and unless corrected it will again lead to difficulties during the coming crop-year.

The Santa Fe report issued today had a rather pessimistic tone stating that prospects for another bumper crop in Kansas have gone glimmering due to drought conditions in the southwestern part of that State. According to the same sources the outlook in Oklahoma is not nearly as rosy as earlier forecasts. However, the government weekly report states that winter wheat is in fairly good to very good condition in the greater portion of the country except being fair to locally poor in the drier sections of the more western portions of the Great Plains. We feel that timely rains can overcome some of the handicaps, but, of course, we must realize that prospects for a bumper crop have somewhat diminished.

Primary receipts of wheat today totaled 248,000 bu compared with 403,000 a week ago, and 1,323,000 bu on same day of last year. So far this week Kansas City and Minneapolis stocks show a net decrease of 152,000 bu.

There were some rains reported in the Southwest, although nothing consequential in the extreme southwestern sections of Kansas, but there may be additional rains during the next twenty-four hours. The western parts of the Dakotas and the Central States enjoyed beneficial rains.

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CHICAGO, 4 May 2, 1946

News came from Washington this morning that the government was only planning to export about 6 million bu of the bonus corn, and that apparently the balance would be released for private trade in order to make more wheat available for export. Washington policies are unpredictable, and apparently high officials realize that they are in "hot water" simply going from bad to worse as each new predicament arises. We are more inclined to believe that as a result of all this Congress may finally have to take the reins into its own hands and remove all restrictions in order to avoid chaos. It is being generally recognized that the OPA is no longer making prices but rather black markets are setting the pace, and this is true of virtually all food commodities with so many side-payments that the outlook is anything but cheerful.

The government theorists have made so many mistakes in their analyses that nothing seems to work out according to prediction. They have tried the 80% extraction, hoping that would work for wheat in order to conserve supplies. The Certificate Plan appeared to be very hopeful, and while we were critical from the start, it was because we were aware of the fact that you do not have to eat a whole lemon to find out that it is sour. The Wheat Order did not accomplish a great deal and the 30¢ bonus came too late and only angered farmers who had been promised earlier that there would be no increase in prices. Every grain man who went to Washington voluntarily or who had been sent for knew that the excessive feeding would finally make it impossible to fulfill our export commitments. As the Vice President of the second largest flour milling concern points out, "The chaos which now exists in the milling industry is absolutely without precedent. At no time in the history of milling in the United States have conditions been as unbelievably bad as they are at present." Quoting him directly, he states: "It is very likely that during the present crop year which ends June 30, 1946, 300 to 325 million bushels of wheat will have been fed to animals. Because of the excess feeding, millers have been handicapped very materially in the purchase of wheat, and as a result, the industry as a whole has probably not to exceed 10 to 15 days' supply of wheat ahead, which is a very low figure indeed." What should be kept firmly in mind is that OPA was a wartime emergency agency which has no place in a peacetime economy. Any controls that are permitted to remain after June 30th should be definitely limited. As one prominent authority recently stated: "One fact is crystal clear: Production will stop inflation only if we can keep OPA from stopping production."

Primary receipts of wheat were 623,000 bu compared with 325,000 bu last week and 1,614,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 137,000 bu.

The most encouraging news overnight was the report of rains in the Central States, some sections benefiting materially. In addition to this there was some precipitation in the Southwest, although it was scattered and not complete. Still, Norton, Kansas, has had about one inch since yesterday, and we believe that there must necessarily be improvement although for several weeks it has been dry, and it is doubtful whether earlier expectations have been maintained. We also understand that there were nice rains over South Dakota, and some light scattered moisture in southern Minnesota, with a trace at Williston and Bismarck.

The trade is not paying very much attention to these factors at the moment. Most interest is centered in rye. This cereal was again very erratic; after showing early strength in sympathy with Winnipeg, there was at one time a break of 5¢ per bu, with the May delivery declining to $2.60, but the moment offerings dried up buyers found it extremely difficult to make purchases. It was reported from Canada that no new commitments in Winnipeg May rye are allowed except for purpose of liquidation.

Oats at one time were a little easier on the possibility that more corn will be made available for domestic purposes, but later in the session this cereal also strengthened in sympathy with higher prices for rye.

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CHICAGO, 4 May 3, 1946

Banks and Exchanges in this city are operating in spite of the coal strike, but we understand that a good many office buildings have been forced to close for at least a good part of the day. Here again, we find another potent example of price controls, which are currently doing much more harm than good. The strikes which have stifled production and caused so much harm are largely the result of faulty price control policies. Curtailment of production is the worst possible thing that could happen to our country today-- much worse in its overall effect than price increases. All this comes just at a time when production is sorely needed. As a matter of fact, it is ridiculous to assume that the line has been rigidly held. The housewife is conscious of the fact that the consumer spent 84% more during 1945 than in 1940 for approximately the same amount of goods. Meanwhile, the American businessman is treated as though he were on relief, and if he does not like it he can appeal to the OPA for help under the "hardship clause." On April 16th and 17th, housewife shoppers in Boston employed independent market research agencies, who visited 215 stores; they found 90% of them were selling meat at over ceiling prices. During the same period a survey was made in the Minneapolis-St. Paul area, which showed 76% of the stores were receiving black market prices for meats. Now, we contend that bootlegging and black marketing are twin brothers. Everyone knows that the consumers of our nation no longer are under the patriotic obligation to observe unnecessary wartime restrictions. Yesterday a Senate Agricultural Sub-Committee recommended that all price controls and subsidies on meat and livestock be removed immediately. In reporting to the Senate it was declared that controls and price regulations have completely broken down, and that price ceilings are a fiction; moreover, unsanitary slaughtering in black markets is imperiling the national health.

With respect to wheat, it is, indeed, a sad commentary that when we have raised the largest crop in the history of the country that we should have to have a Famine Committee, and that we are compelled to reduce the amount of bread which comes to the table by about 25%. In spite of all this, we are not meeting our export commitments. It is just as sad that the same agencies which are responsible for the dissipation of our supplies are now called upon to try to work out a scheme to get us out of our difficulties. Had prices been permitted to go moderately higher earlier in the season, we would not have had this tremendous amount of feeding of wheat to livestock, and we would now be in position to take care of a hungry world which is in dire need of grain. After it had been discovered that the remaining stocks were so low, they resorted to bonus payments for farmers in order to get the last of the reserve supplies into consuming channels.

About the only news overnight was further moisture and this is always extremely welcome during the spring months. The rains in the Southwest were not heavy, although there was as much as one inch at Fort Worth, which is not particularly in the important growing area. However, parts of Nebraska fared reasonably well, but we are afraid that the western sections are still in need of further relief. One of the crop experts estimated the winter wheat yield at 735 million bu, which is a reduction of about 45 million bu from the last government figure. However, the deterioration has occurred mostly in the four southwestern States, and part of this may still be made up. There was also some precipitation in the Northwest, South Dakota had rains but not as much as the day before. The southern half of Minnesota was also relieved, and this moisture penetrated parts of Iowa.

As for market conditions, our rye was very strong in sympathy with Winnipeg, and several futures there advanced the full 5¢ per bu, which finally caused a rather bullish feeling here. There was also great strength in our oat market, and there were some rumors that ceiling prices on corn might be raised, or that the government might give a bonus to farmers selling oats, but we could not confirm either of these reports.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 May 6, 1946

The squeeze in grains which is being experienced now is one that had been predicted as long as three years ago by certain Cornell authorities, who forecast that after the war the number of people to be fed would increase tremendously, and that if we were to be in position to redeem our promise, we would have to use our grain for human consumption instead of for livestock production. Quoting from a June 1943 article they had this to say: "The only way that we can send much food to other countries is by sending our accumulated wheat stocks and by reducing our grain-consuming livestock so as to release for human consumption the grain that they would eat. The wheat stocks would disappear rapidly if we tried to feed many people.....If we are willing to cooperate and consequently shift our consumption 'from pork chops to cornmeal,' our ability to help feed the rest of the world is fairly impressive.....Such a program calls for reduction, not increase, in the finish-feeding of livestock and in the production of products like poultry and eggs, and pork and lard. It is the opposite of the natural effects of present price policies which are freezing the hog-corn ratio at about 15. We cannot feed both increasing livestock numbers and starving Europeans. It would be nice to send them pork chops and butter, but neither they nor we can afford it."

This country has taken part in many food conferences, notably the one at Hot Springs, when the possibility of grain shortages was recognized, and all the countries were urged to increase their acreages and crops for direct human consumption. The Britith Foreign Minister diagnosed the danger but apparently the advice went unheeded, the same as that of the grain trade, and it was not until recently that the situation was thoroughly recognized, but by that time it had become very acute.

The stock of wheat in the country on April 1st was only 339 million bu, and since we must have a reasonably good reserve on hand until we know what the next crop will amount to, it is now necessary to cut down the amount of bread that comes to the table, and still there is considerable doubt whether the export goal of 125 million bu for the present quarter will be satisfied. Had prices been permitted to take a more normal course everything might have been different, but we have had all kinds of controls, many of them adhered to long after they were found to be unfair. Consequently, we dissipated our stocks because we were apparently more afraid of inflation than conscious of starvation that was to take place in many European countries. We might still have had some increases in prices to consumers without having had runaway prices. Everybody knew, except possibly those who were so intent on "holding the line," that we could not have higher wages, a shorter work week, a higher standard of living, and lower prices for commodities. The mistake of freezing prices at unrealistic levels and of not allowing for transportation and distribution costs has caused so many distortions that the offerings dried up, black markets reached enormous proportions, many commodities became scarce, while butter, corn, and meat were peddled in the alleys at night.

When the visible supply of wheat was posted, there was another sizeable decrease of 2,381,000 bu. This reduces total stocks in all positions to 15 1/4 million bu compared with 59 1/2 million bu, which was on hand last year. Chicago stocks have declined to 281,000 bu, and our rye stock is down to 459,000 bu.

The most encouraging news overnight was further rains in the Southwest, and the map looks favorable for more precipitation, so that very likely some of the western sections will also be benefited. The trade paid little attention to news of this kind, as it is still rumored that there may be a 30¢ increase in the corn ceilings, but whether anything will be done for other cereals is still in doubt. In any case, there were times when all of the four oat futures were up to the ceiling of 83¢, but there were liberal offerings of September and December.

Rye also was strong and sold 5¢ higher. October rye at Winnipeg was erratic, fluctuating within a limit of 10¢ per bushel.

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141 W. JACKSON BLVD.

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DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 May 7, 1946.

There continues to be great confusion over the economic outlook, and while the coal strike is uppermost in the minds of everyone, other policies affecting wages, prices, production, and other strikes are still preventing recovery in this country. We may soon be faced with a tie-up in transportation even though the government has threatened to take over the carriers in the event that the strike which has already been called materializes later on. More than that it is clear that regardless of the government's seizure of roads, the trains cannot run if the coal strike should continue for another two or three weeks. Already there has been great curtailment, and in addition to the suburban service, which has been interrupted, a good many roads have been compelled to take some of their good trains off schedule and doubtless the same is also affecting freight shipments. Before long the steel industry and many other businesses may be closed unless the government can do something to get us out of our present difficulties.

In grain we are also faced with tremendous problems, and while there are all kinds of reports from Washington that possibly a higher ceiling for corn may be permitted, there is still nothing definite, nor have they decided whether to pay farmers a bonus for delivering oats. The flour mills are facing the most serious wheat shortage in history, and according to one authority eyes are focused on the Texas crop for the first relief as soon as harvesting operations commence. However, the winter wheat crop will not solve the flour and bread situation unless we have a more orderly marketing routine. In our opinion there is not much chance of having a correction until we either get rid of OPA or until that agency sees the light of day and is willing to cooperate toward restoring orderly conditions. The food outlook for the current year promises to be relatively good, although the wheat crop has not yet been made. There are some complaints coming from western Kansas, particularly the southwestern part of that State. Unless we have rather general moisture there are bound to be some reductions in Kansas, Texas, and Oklahoma from earlier estimates. We did have some relief in Oklahoma and some scattered rains in the Texas Panhandle, but the really dry districts in the west did not get the precipitation that had been expected. We have become used to bumper crops, and production in 1945 was the third largest on record, with the largest yield of wheat in the history of the country, but yet these supplies were dissipated through excess feeding. Here is a mistake which was not properly recognized early enough in the season so that when the various new controls were issued the harm had already been done. We are finding a rise in hog marketings, particularly around Chicago in the past two weeks, and this shows that since the government has started paying 30¢ a bu bonus that the farmer has been better satisfied by marketing his corn and he has no longer found the necessity for feeding all of it. Here is concrete evidence of how price relationship is important in our economic structure, and we hope that there will be sufficient freedom for the 1946 crop, so that we shall not have a recurrence of the errors of the past year.

Statistics did not count for very much. The trade in rye was again very active. At one time there was an advance of about 4¢ per bu for the May delivery, and the fact that Minneapolis was early bidding the ceiling price and that the cash market there was very strong, with a premium of about 25¢ per bu over the May, gave encouragement to some of the long operators in our market. However, best prices did not hold and with moderate selling we declined to the limit in the last half hour of trade. Late in the session the stock market improved considerably on the possibility that we are nearer the end of the coal strike, but nobody knows yet what terms have been submitted and the conciliators have adjourned until tomorrow.

In oats there was some selling in the September future at times, but apparently the offerings were well absorbed, and this future with December finally joined its two predecessors in going to the ceiling, so that the outlook for any activity here is darkened by these factors. Whether we shall get relief from Washington remains to be seen. For the time being the prospect is not too bright.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 May 8, 1946

It was reported after the close yesterday that Washington was seriously considering higher ceilings for corn, and also, for certain protein feeds, and we had rather expected that something would be forthcoming before the opening of the market this morning. The talk centers mostly around corn, with the possibility that the raise in ceiling will amount to from 20¢ to 30¢ per bu, but whether it will affect other cereals cannot be definitely stated; in fact, the whole program is very uncertain, and it seems difficult for officials who are working on these food problems to make up their minds definitely what should be done. We found that during the war several high-ranking grain men volunteered their services gratis to the government but were offered positions either in the rubber industry or for the handling of castor beans, and peculiarly enough, either there was a suspicion that if they were placed in a field where they had had 25 to 30 years' experience, they might know more than those at the head of the department or that they might be prejudiced in their decisions. Likewise, men from other fields were brought into grain and were handling policies that were more or less new to them, and possibly this accounts for the many mistakes that were made. It is really too bad that the grain trade was not heeded because on so many occasions they had solutions to these problems and it would have been a simple matter to have raised the price of corn 30¢ per bu earlier in the season so that our wheat supplies could have been used for the starving peoples of Europe rather than to have this valuable grain fed to livestock. As near as we can tell, more than 300 million bu of wheat has already been fed. In a ten-year average, before the war, only about 117 million bu of wheat was fed annually. Thus, any action which is taken now is probably too late but yet it is better that recognition be given to this distorted situation because it may help in solving the problem for next year.

Before our market opened this morning, the forecast was for moisture in the western parts of Oklahoma, Kansas and Nebraska. There are many sections of the country that require a good soaking and this refers also to the Northwest where the spring wheat has just been newly seeded. There are, however, a few bright spots on the horizon -- Central and Southern Montana have had fairly good showers the past week ranging from 1/4 to 1/2 inch, in fact, one station in that territory, namely, Miles City, reported 1 1/2 inches of rain. The extreme southwestern portion of North Dakota also got fair showers during that period. There was some moisture this last week-end over Eastern North Dakota and Northern Minnesota ranging from 1/4 to 1/2 inch, which puts that territory in very good shape. The same informant advises that in the valley, the crop has been getting off to a wonderful start. However, there are still large areas in Western North Dakota and Eastern Montana that have received little or no rain and the situation there is growing worse from day to day. The consolation, of course, is that it is still very early and there is time enough to save the crops if more favorable weather prevails from this time onward.

Primary receipts of wheat were 645,000 bu compared with only 248,000 bu last week and 1,337,000 bu last year.

There was very little trade in any of the pits except rye. The May future was extremely erratic, and it is still felt that there may be some fair deliveries before expiration. If anybody gets delivery after futures trading ceases, and does not merchandise his rye by the end of the month, he can only obtain $1.48 1/2 under the new ceiling, which becomes effective June 1st. This in our opinion is apt to create a very erratic market and might, indeed, give longs great concern if they overstay their market. Of course, we are not taking into account the possibility that certain industries might be hard-pressed for cash rye and may have to go into the cash market, but it seems rather unlikely that this turn of events will take place. We do want to caution everyone that the long side is very hazardous because of the new government ceiling, and we hope that those who are trading will close out in sufficient time so that there will not be too much excitement the last day or two of trading.

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CHICAGO MERCANTILE EX.

May 9, 1946

The most important development overnight was the raise in ceiling prices for various grains, and while corn had been the topic of discussion, nobody knew for certain whether wheat, oats, rye, and barley would be included. The advance of 25¢ a bu for corn was a little less than had been hoped for. On the other hand an increase of 15¢ for wheat, 5¢ for oats, 9¢ for barley, and 10¢ for rye was probably a little better than the trade had anticipated. It seems the government is anxious to adopt a policy that will not require changing each month or two as higher parity prices are published. Thus they have probably made allowance for any likely advance from now until the expiration of the 1946-47 crop season.

It seems to us rather unfortunate that the increase in corn has come so late. While OPA can boast that it "held the line" with respect to futures, it cannot take credit for having held cash prices because black markets have developed in this country probably on a heavier scale than we have ever known them, at least since prohibition. Money, which has been the medium of exchange since civilization has made real economic progress, was temporarily discarded, so that thousands of different barter schemes were adopted in order to provide other scarce articles to farmers for the corn which was in such great demand. However, the greatest amount of harm came from the fact that feeding was so heavy that we dissipated our supplies. This affected many substitute grains, such as wheat, and it appears very much as though about 350 million bu will be fed to animals by the end of this crop-year. When it is considered that in normal times only about 470 million bu wheat is consumed for human consumption, one can readily understand why we are not able to meet our foreign commitments at this time. Therefore, the attempt to "hold the line," which was valiantly done for a while, was at the expense of humanity, and in a suffering world we hope that the change will at least bring some relief for next year.

There was some further moisture in the Southwest, and, of course, precipitation coming at this time of year is very welcome. The season is somewhat earlier than usual, and we have been told that within ten days or so there may be fields in southern Oklahoma ready for harvest. According to a broadtape item, the first 1946 wheat was delivered at Olney, Texas late Wednesday, which is about two weeks ahead of average. It is likely that there will be a big demand for grain owing to the tightness prevailing, but even with some reduction in the yield from earlier estimates, it still appears as though a satisfactory winter wheat crop would be harvested.

The President at his press conference stated that if necessary, to keep the railroads running, the government would seize them. However, he is still hopeful that the dispute may be amicably settled. It was also stated that the coal strike is gradually approaching a stage where it might be considered a strike against the government, and that when it reaches that point, the President said he would take some action but refused to say whether he had in mind actually seizing the mines.

Primary receipts of wheat amounted to 1,263,000 bu compared with 636,000 bu last week, and 1,936,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 113,000 bu.

There was very little activity in any of the grains, although at times a few transactions took place in the oat pit. We observed that there was more desire on part of shorts to cover, and naturally with these higher ceilings people were anxious to even-up commitments.

Rye was rather erratic but there was never terribly much support and as a matter of fact, with the possibility that there may be deliveries later on, longs seemed to be more on the defensive, particularly at this high price.

We are receiving rather optimistic reports from our Oklahoma offices. One of our men who covered eight counties in the Southwestern part of the State told us that weather the past ten days had been about perfect, and that the combines will start next week in that particular territory if weather is favorable. However, there seems to be a holding tendency and farmers are going to take a good many storage tickets. Therefore, only a small percentage of the crop may be moved at least at the start of the season.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 May 10, 1946.

The Directors of the various Exchanges have been considering the problems involved in the raising of ceilings, and it was recommended by the three government agencies who worked toward the increase that all futures contracts open at the close of business May 11th be settled at present applicable ceiling prices. It was further recommended and requested that all cash contracts be handled on a similar basis. This, of course, throws the burden on the governing boards of the Board of Trade of the City of Chicago, the Kansas City Board of Trade, and the Minneapolis Chamber of Commerce, but it also involves cash transactions all over the country, as well as contracts that may have been made for shipments abroad. Thus, it has not been an easy matter to decide how to dispose of the question, particularly as deliveries have always been contemplated on a futures contracts. But, of course, this was always at a time when we had free and open markets.

There has been no regular trading in corn now for several months. It is true that a few transactions have taken place by way of close-out, and likewise there has been some wheat liquidated by longs, but many of the shorts have been frozen in the market for a long period. Therefore, it remains a great problem as to how all parties can be satisfied when we have a dilemma of this kind. It seems unfortunate that in this case, as well as in many of the other predicaments that have come about, that the Directors have had to govern themselves by conditions forced upon the trade by the government. They had repeatedly promised that there would be no increase in price, and on that basis possibly there was short-selling from time to time. Naturally, nobody can condone the action of such operators, but by the same token, it is hardly reasonable to suppose that peacetime rules may apply under wartime markets. We still have rigid controls under which we are operating, and it is, of course, impossible to satisfy everybody when Washington changes the rules from time to time, which is undoubtedly the reason that we have the precedent for having closed out contracts on many other occasions. This would never be done under normal conditions.

There was very fine moisture in the Southwest and weathermen tell us that the cold snap was responsible for bringing about this precipitation. While there are some frosts forecast for tonight and tomorrow, the chances are it will harm only truck crops and is not regarded as a very serious element for grains. In any case, northwestern Kansas was benefited, and since this was one of the dry sections, moisture at this time is extremely favorable. Salina reported nearly 3 inches of rain, and Junction, Kansas, had nearly 7 inches; so apparently there were near cloudbursts in some sections. However, even the lesser quantities received elsewhere should prove of assistance to the crop, although we expect when the government report is issued this afternoon there will be a rather heavy reduction from the previous estimate.

Primary receipts of wheat were somewhat larger, amounting to 1,057,000 bu compared with 6[illegible]6,000 bu last week, and 1,671,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 203,000 bu.

There was again very little trade in any of the pits, except May rye. The latter displayed considerable weakness and some deliveries are being made. We do not yet know what final disposition will be made of this cash rye or whether it is wanted. It appears to us, however, that with the new ceiling effective June 1st of $1.58 1/2 per bu that it may not be so easy to sell it, and, therefore, longs may have some trouble unless there is a change in the picture.

Not much attention was paid to the acreage report issued in Canada last night, but with 3 million more acres likely to be sown to wheat, and with reasonably good prospects up there, we should not be surprised if Canada came through with a much better crop than last year.

During the session there were quite a few optimistic reports that some spots in the Southwest had reported moisture where it was most needed, and possibly there has been improvement since the government report data was compiled.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 May 13, 1946

When the Office of Economic Stabilization, together with the Department of Agriculture and OPA, made the announcement on May 8th on grain policies, the trade was naturally elated that higher ceiling levels were permitted, particularly as it affected corn. This cereal has been under-priced all during the year, and owing to this distortion there was tremendous feeding of substitute grains. However, the mechanical difficulties are always great because in a market such as Chicago, where there was about 85 million bu open interest for the various cereals, it was natural that not both longs and shorts could be satisfied by any action. It was apparent right from the start that the government was opposed to windfall profits, but on the other hand it is just as true that what may be regarded a windfall for one person is a hardship to the other, and vice versa. There were many people in the market other than speculators who had relied on the hedge as an insurance to protect them against cash transactions. Therefore, it took at least four days of continuous deliberation by the Directors to come to a decision which would be least harmful to the market as a whole and to the people who were involved in transactions either for protection, for speculation, or for other reasons.

At the end of the lengthy statement issued by the government the various agencies involved requested and recommended to the governing boards of the Grain Exchanges that all futures contracts open at the close of business on May 11th be settled at the then applicable ceiling price. It was further requested and recommended that all cash contracts be handled on a similar basis. However, the Board of Directors found itself without power or authority to make any adjustments with respect to cash contracts, but yet they were desirous of complying so far as possible. We believe that this is the reason for the compromise which has now resulted in no new trading in any of the old grain contracts. They will remain open only for purposes of liquidation. Should there be any defaults later on penalties are to be assessed without consideration being given to the advanced ceiling. Tomorrow new contracts will be inaugurated for trading: Wheat and Oats, August, November and March positions; Corn, January and March; Barley and Rye, November and March. In order that the market will be as orderly as possible, a 5¢ fluctuation from the old ceiling both up and down will be permitted for the first day, and thereafter in conformity with the rules, observing, of course, OPA ceilings.

When our market opened this morning May rye immediately declined the full 5¢ limit permitted for one day's session. It seems there is a very bearish feeling, and we observed that 10,000 bu were delivered today. Whether this was new rye or merely a previous delivery being retendered we cannot definitely state yet. However, even with a small crop in prospect there seems to be a feeling that further declines will take place.

At the start all oat futures held at the ceiling, but gradually liquidation came into September and December, and there were moderate declines from the maximum price of 83¢ per bu.

At Minneapolis the Directors have permitted all futures to gradually advance to the new ceiling levels, and somewhat higher prices for oats ruled, but this had little effect upon our market here. Corn and wheat were still tightly held, but we believe that some commitments were made by way of close-outs.

Statistics did not count for very much. Primary receipts of wheat were 975,000 bu compared with 934,000 bu last week, and 2,396,000 bu last year. There was a small increase in the wheat visible of 749,000 bu; total stocks of 16 million bu are approximately 40 million bu less than last year.

Crop news from the Southwest was quite optimistic. There is doubt whether the recent freezing temperatures have done much harm. Same, however, cannot be definitely determined until the crop is harvested. One or two points in Oklahoma claimed that some wheat was coming to country stations, and that harvest would be in full swing in another week.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 May 15, 1946

We have read with due diligence the talk that Mr. Robert H. Shields, Administrator of PMA, gave before the Millers National Federation yesterday. There are points in his address with which we agree heartily, although on some questions we take issue. He calls attention to the fact that while it was obvious that the demands that would be made upon us after the war would be great, not all the factors were immediately apparent. After five years of fighting, it could certainly be assumed, as it was by some Cornell University authorities, that a starving world would need about all the wheat and other grains that could be spared. Unfortunately, however, this was not recognized until the situation had become almost desperate. Mr. Shields claims that if we come close to our goal of moving 400 million bu wheat into export that it is far in excess of any twelve-month period in the history of the country.

However, this country in considering food problems abroad must think in terms of all grains, not simply on basis of wheat alone. On past occasions we have pointed out that there were many years in which our total shipments far exceeded the present year's exports of wheat. For example, in 1914, we cleared 519 million bu wheat, rye, corn, oats, and barley; in 1915, a total of 429 million bu, and in 1918, 457 million bu. As far back as 1897, when our crops were nowhere near the size of the present yields, we shipped 521 million bu of these grains. In 1920 we cleared 504 million bu of all grains. As a matter of fact during the three important war years, we cleared only 243 million bu wheat, oats, barley, and rye, while at the same time we imported mostly from Canada 499 million bu of the same grains. Therefore, we should have been building up reserves instead of depleting our stocks. The government now estimates that by June 30th, despite the largest wheat crop in the history of the country, our carryover will be reduced to well below 100 million bu, which means a disappearance of more than 1,300 million bu for the twelve-month period. Looking ahead it is estimated that on basis of a billion-bu crop combined of winter and spring wheat, which may prove to be a little high, we shall need 450 million bu for food. T his figure compares with the ten-year pre-war average of 479 million bu, and may become possible due to the 80% extraction and other economies. Seed requirements are figured at 85 million bu; the amount of wheat for feed the government believes will be reduced to 150 million bu; for industrial uses they claim only 2 million bu will be ground; for export a maximum of 250 million bu, and on that basis it is figured that the carryover on July 1, 1947, will amount to 140 million bu.

The grain trade, of course, is faced with rather drastic restrictions, because it has been ordered, under a nine-point program, that half the wheat delivered to elevators next season be sold. One out of every four bu is destined to the famine area, and the 80% extraction rate on flour will be continued. Secretary Anderson also inferred that he was asking ODT to place an embargo on the movement of wheat out of Texas, Oklahoma, New Mexico, Arkansas, and Louisiana, except wheat that will go into export channels, or on shipments receiving a special permit. This is giving great concern to millers, who, even now, are finding it extremely difficult to get supplies. The restrictions on millers' inventories will be lifted when the new crop starts moving, and these restrictions will be held in abeyance unless there is evidence of inequitable distribution.

Primary receipts of wheat amounted to 703,000 bu compared with 645,000 bu last week, and 1,711,000 bu last year. Kansas City stocks so far this week show a total increase of 136,000 bu.

Trade today was rather limited. There were only a few transactions in wheat and in corn even at the higher level. Oats for the most part were firm, and we believe that the trade is impressed with the nine-point program of the government, which emphasizes heavy demand.

May rye was very weak, despite an erratic market in Winnipeg where the deferred months were quite strong.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 May 14, 1946.

Trading under the advanced ceiling limits started this morning, but owing to the mechanism that was voted by our Directors wheat and corn were permitted to advance only 5¢ per bu for the first day of trading, and with the tight situation surrounding cash markets, it was quite reasonable to expect that there would be no business in these commodities. In oats, the situation is different. There is every appearance that we shall have a very large carryover, plus the fact that crop prospects are good. Therefore, the new ceiling of 88¢ per bu is regarded as liberal, and a good many people were apparently willing to sell at prices under the maximum. In a general way there seems to be the feeling that even if the life of OPA is extended, it will not exert the same force on price levels as in the past. First of all, the staff of this organization can no longer keep up with the job assigned to it with the manpower available. Furthermore, when rationing of materials and control of wages had been largely removed, the burden placed on price control became too great. For this reason there is some hesitancy in assuming too bearish a position on grains at this time, particularly since we do not know yet what the final yields will be; even though ex-President Hoover has expressed the belief that the emergency would not be so great after European crops have been harvested, still it is rather apparent that the first demands from the new crop both from here and from Canada will find a ready market abroad.

Ordinarily the various strikes would cause pessimism with respect to security prices, but the action of the stock market has demonstrated rather clearly that the coal strike, in particular, is slowing up production in this country to such an extent that this, together with further strikes, is valid reason why the holder of common stocks is not inclined to liquidate, despite his concern over labor questions. Students of economics testify to the fact that the course of most inflationary movements in history has been higher wages, higher prices, and then again higher wages, etc. until it becomes obvious to all concerned that nobody has gained much but that the over-all economy has been severely damaged.

Grain traders are quite impressed with reports that a good many of the large mills in the country may be compelled to close down for lack of supplies. This in our opinion will keep many people from assuming a bearish attitude for the time being at least. Crop prospects are reasonably well maintained. Some harvesting has already been reported in winter wheat areas where the crop was ahead of schedule. We are entering a period where generally showery conditions prevail. This is true of northwest regions, also. Of course, it will be beneficial also for the corn belt, as precipitation after planting has taken place is always the ideal method of getting proper germination. On the other hand, we have one of the smallest rye crops in prospect with the carryover supply next to nothing. Should we harvest only 21 million bu, it would be about 50% of the ten-year average; therefore, a ceiling of $1.58 1/2 per bu may create a situation where volume of trade in that commodity will be next to nothing.

We have not mentioned foreign advices in some time because of stress of other matters, but private observers in Australia do not believe that the 15 1/2 million acre goal set by the government will be realized, although seeding is well under way under generally favorable conditions. Last year only 8 1/2 million acres were sown.

Primary receipts of wheat today were 2,306,000 bu, more than double last week, and compare with 1,639,000 bu last year. So far this week Kansas City and Minneapolis stocks have both increased, the total being 139,000 bu.

During the session, a fair amount of buying came into the oat market, and we believe when the figures are given tomorrow it will be shown that there was a good trade particularly when it is considered that these are all newly established contracts. May rye was weak right from the start. It seems that sellers here predominate and apparently the cash demand is not equal to the amount available probably for the reason that after June 1st a much lower ceiling will prevail, than the present free market price.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

MEMBERS:
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KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 May 16, 1946.

The government in planning future wheat exports is figuring on the possibility of another billion-bu crop. They may be a little too opt imistic on this hope, although with 70.9 million acres as indicated, which is 3% over last year, and the largest acreage seeded since 1938, it is possible. Of course, it is very early to say much about spring wheat and the yields. Some complaints are coming about dry conditions in certain areas, but at this time of year it is safe to figure on average results, and if as a criterion we take the period from 1937 to 1944, a spring wheat crop of 257 million bu is in prospect, so that together with 742 million bu winter wheat estimated in the May report, our total production might approximate a billion bu. This would compare with last year's total crop of 1,123 million bu, and, therefore, there is still the chance that we may have one of the largest yields in history. On the other hand, we are already prepared for very heavy consumption, with a minimum of 250 million bu set aside for European famine relief, and certainly a minimum of 450 million bu for domestic food. In talking this low figure the government mentions that it compares with 500 million bu used for food at home during the year just ending, and with 559 million bu two years ago. Of course, it would mean continuing all controls and some self-denials on the domestic front. Just to what extent the 80% extraction of wheat for flour would bring about economies is difficult to say, but certainly it will be of some help. The big question is whether 150 million bu is sufficient for feeding to animals, and this will also be influenced very largely by governmental policies and to what extent distortions in price are corrected between corn and substitute grain. Considering present livestock numbers and the fact that most wheat is fed on farms where it is produced, even the government recognizes that the adjustment will be very difficult, particularly after so many farmers have been in the habit of feeding wheat so heavily. Two seasons ago 486 million bu was fed, which was a greater quantity than formerly went for human food consumption in pre-war days.

On May 1st, there were 10.3 million persons working on farms, which was an increase of 350,000 over a year ago, or about 3%. The USDA attributes the increase to better weather conditions during the last week of April than in the corresponding period a year ago, although we believe also that quite a number of veterans prefer going back to the farm where it is quiet rather than to take on commercial work.

The overnight weather was regarded as very favorable, and the Central States received more moisture than in some time. This, of course, is very good for corn and oats, and even for wheat in that district. It is now acknowledged that the carryover at the end of June will amount to only about 80 million bu, which is certainly a tremendous reduction from 281 million bu on hand last year. During the first three months of 1946 about 100 million bu wheat was cleared for Europe. Since seed for spring wheat planting and for some additional feeding may take about 50 million bu, it is quite obvious that previous hopes for a larger carryover have been dissipated, This means that there will be only about 189 million bu wheat for domestic food and for export in the last quarter of the year: namely, April to June. Even under these conditions, there seems little chance of exporting 125 million bu needed to meet the export goal.

Primary receipts were larger, amounting to 2,023,000 bu compared with 1,263,000 bu last week and 2,142,000 bu last year. Kansas City and Minneapolis stocks so far this week show an increase of 219,000 bu.

There was very little activity in wheat despite the fact that prices have now gone to the maximum allowable price under the new government ceiling. There was a little trade in March wheat but even this future was finally bid at $1.98 1/2 per bu. We doubt whether there will be much trade until matters are clarified, particularly as to the final crop prospects in this country, European yields, and later on southern Hemisphere results. There was some fair trading in oats. Prices were moderately weaker, while in May rye another 5¢ decline featured the market, this being the ninth consecutive day that the full permissible decline occurred.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 May 17, 1946.

While there is a great deal of discussion in Washington about the necessity of meeting our export commitments, we believe that it might be well to quote from a broadcast made by the Right Honorable Herbert Morrison, Lord President of the Council and Leader of the House of Commons, on May 15th: "Perhaps in future history books, children will read this paragraph: 'The first full year of peace, 1946, brought more death, more disease, and more suffering to humanity than in all the terrible years of was.' This is not fantasy. This is a grim possibility which now confronts our famine-haunted world." He goes on to say that this is not necessarily a forecast, because if all of the resources against famine are mobilized that desperate as the situation is there may be a way to avert such calamity. In a personal letter to the President, Mr. Hoover, after traveling 35,000 miles, having visited twenty-two countries which had a food deficiency, reported that the dominant need of the world in this crisis is cereals, but he stressed the fact also that there is great need of fats and special food for children, but still pointed out that since cereals can furnish 85% of an emergency diet those requirements were given first concern, and that if a foundation of bread could be assured and as much fats and children's food furnished as is possible, mass starvation could be prevented.

When our market opened this morning, there was not a great deal to guide it, except that propitious rains had been reported over a good many districts of the Southwest. The areas most favored were in Oklahoma and eastern Kansas, although rain did extend intosome of the western sections, and we note that Dodge City had some relief. Likewise, there was a light rain yesterday at Norton, Kansas, but at least we should imagine that this has prevented any deterioration since the time that the government compiled its data. Possibly the one exception is Texas, where most people are not figuring on a wheat crop to exceed 35 to 40 million bu, but elsewhere the picture seems to be brighter. The prolonged drought in Texas and lack of moisture reserves is beginning to tell, particularly since the recent scattered showers did not much alter conditions. Wheat harvest is now beginning in north central Texas counties and will probably reach its peak the first week in June.

8% of the nation's flour mills have closed down, and 35% expect to close by May 22nd, according to a survey by the Millers National Federation, which covered more than half the industry's capacity. Lack of supplies, according to this authority, will force 81% of the mills to close by the end of this month, and by June 4th, 94% of the flour milling industries may shut down. Thus, until new-crop supplies are available, a very gloomy picture confronts us, and probably something that has never happened before. This is a sad commentary after we have raised the largest wheat crop in the history of the country, but the large amounts that were fed have, of course, been responsible for our present dilemma.

Primary receipts of wheat were fairly substantial, and amounted to 1,780,000 bu compared with 1,057,000 bu last week, and 1,737,000 bu last year. Kansas City and Minneapolis wheat stocks so far this week show a total increase of 318,000 bu. When the visible supply is posted Monday, it will compare with a decrease of 1,411,000 bu last year.

There was a fairly active trade in oats, and this went for both old and new deliveries, although the former was subject only to liquidating transactions. Weather has been highly satisfactory, and we had a report from Jacksonville, Illinois, that the corn and oats acreages will be materially increased around that territory at the expense of less wheat, clover, pastures, and beans. A message from the Northwest told us that there had been some nice moisture in North and South Dakota and Minnesota, several points showing from .25 to .40 inch of rain, and while this was not a downpour, every little bit at this time of year helps, and presumably there was a showery condition over the Northwest. Wheat and corn still held tightly at ceiling levels, but May rye was offered from every direction, and it seems that longs are having a difficult time to get out. It is pretty general knowledge that the last people who get delivery on contracts may not be able to sell out these tenders at above $1.58 1/2, which is the ceiling level, effective June 1st.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 May 20, 1946.

With the OPA fighting for its existence and hoping for a renewal beyond June 30th, "de-control" seems to be the agency's byword. According to news dispatches, about 3,000 curbs are gradually being relaxed so that the same forceful "holding of the line" is not even being attempted. It is almost a foreg one conclusion that even though we should have a more or less balanced budget, and even with a moderate budgetary surplus, there are neither financial nor psychological safeguards working against the progress of price inflation. This is not even changed by virtue of the fact that strikes have made some of the laboring classes less liquid and that their savings are being dissipated.. Actually the money or bonds that is being dishoarded by unemployed families adds in almost an equal amount to the liquid holdings of storekeepers, as government bonds are being cashed or money in the bank is being spent. It is, of course, true that the industrial paralysis caused by strikes has had a depressing effect all around, but as soon as work is resumed and at higher wages, the restraint is bound to reverse itself in reinforced spending. In the final analysis price rises will be even more severe than they would have been since consumers' satisfaction has been frustrated or delayed, and there is an urgency to accumulate goods, which becomes greater as the flow of supplies is further delayed and production is retarded.

When our market opened this morning, it was naturally influenced by satisfactory weather with a generally showery condition in almost all parts of the country. The rains in the Northwest are particularly satisfactory; scattered districts had complained of drought and the map showed showers for the eastern third of Montana, also precipitation in North Dakota and the southern half of the State. Minnesota had light rains in the western third, which was also a help. On Saturday southern Montana, western North Dakota had some nice rain, particularly along the Northern Pacific, and we understand that while the rains were light in western sections of the Southwest, there was at least some relief and also in the Texas Panhandle. Our Fort Worth office advises that all country elevator operators they have talked with were reporting wheat yields running considerably heavier than had been earlier anticipated. The first two cars of new wheat were received at Enid and tested 61 pounds to the bu, with about 16% moistur This grain originated in southwestern Oklahoma and no protein content was given.

When the visible supply figures were posted, wheat increased nearly 2 1/2 million bu, with total stocks in all positions 18 1/2 million bu, which is 36 million bu less than was on hand last year. However, Chicago stocks decreased 87,000 bu leaving only 164,000 bu here. Chicago rye stocks are down to 365,000 bu. The corn visible increased nearly 4 million bu, the total being close to 25 million bu or nearly 7 million bu more than in 1945.

When our market opened this morning, oat prices were rather weak and this was probably due to the fact that weather over the week-end had been favorable. This also extended to corn and there was trading in both January and March deliveries. There was a forecast that the world might fall one-third short on food again next year, and, of course this may tax all of the surplus nations in an effort to try to combat famine conditions that are so acute at the present time. Nobody can tell yet just how the European crops will turn out but recent reports have been less optimistic due to a lack of sufficient rain in some sections although the drought which had been reported in the Ukraine seems to be not quite so bad as was first thought. It had been dry there until the rains came on May 2nd. Very likely some damage has been sustained although the rains early this month should have saved most of the crops, according to advices from Broomhall. Russia even during the past season has been able to ship 100,000 tons of wheat to Finland and 500,000 to France besides smaller quantities to Poland and Rumania.

Rye, which for the last eleven or twelve sessions has been weak, finally rallied sharply on a report that cash rye had been purchased today at 10¢ over the May future. When this took place it had a stimulating effect in all pits with the result that we had sharp rallie The same was true also in Winnipeg with their rye futures going up sharply.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 May 21, 1946.

In a possible move to forestall Senate approval of the House version of the OPA Extension Bill, the administration yesterday placed before the Senate Banking Committee a program to abolish price control after June 30, 1947, although providing means so that control of scarce commodities could be continued after that period by other governmental agencies. The plan calls for the removal of ceilings on plentiful items after December 31st. However, there is a proviso that the controls could be reinstated on any item on which an unwarranted price increase had occurred. Meanwhile, the Senate Banking Committee is scheduled today to start voting on proposals to remove price controls on commodities, the ultimate outcome of which is difficult to forecast. Up to date, any removal of price ceilings has been more in the nature of a suspension rather than a complete and final removal. Therefore, the threat of ceilings still exists and a club is held over free enterprise. Unfortunately, in the removal of ceiling to-date those items subject to the greatest black market operation have not been affected. Lumber, which is a scarce item, is freely traded in black markets. Meat is still being channeled away from legitimate sources. This morning we are in receipt of a report from one of our men who has been traveling through the Southwest, in which he states that while the movement of new wheat is just starting, a fair quantity has already been disposed of through the black market, mostly to feed manufacturers. Another practice that seems to be growing in the Southwest is the buying of new-crop wheat "as is," without a discount for condition. While the movement of new wheat is still in its early stage, a good percentage has been wet, and by selling same "as is" and without grade considerably higher prices are obtained than permitted under official ceilings. Our informant further states that many truckers are running over the territory indulging in the above practice.

Enid, Oklahoma, reports that of 25 cars of new wheat inspected today, the test weights run from 62 pounds to 59.2 pounds, with an average of 61.9 pounds. This is rather encouraging as high tests usually signify good yields. We are beginning to receive crop reports, indicating that the yields are turning out better than expected in the early harvested fields, and this is also quite encouraging, as proper weather between now and harvest can add one or two bushels per acre.

In studying conditions outside the United States we learn through Broomhall that the crop prospects in India have improved, and it now looks as though the outturn would be 336 million bu. While this is slightly under the amount harvested last year, it is a decided improvement over earlier reports. In Canada wheat seeding is about completed in Manitoba, and in the southern and central districts of Saskatchewan, while in the northern sections and Alberta seeding is about 50% completed. Weather on the whole the past week has been rather dry and cold. The Argentine government today issued its third estimate on the outturn of the 1946 wheat crop. Production is estimated at 143 1/2 million bu compared with a reduction of about 6 million bu from their report of several months ago. This compares with 150 million bu the previous year and 250 million bu two years ago.

Primary receipts of wheat totaled 2,142,000 bu vs. 2,306,000 bu last week and 1,921,000 bu the comparable day of last year. So far this week the combined stocks of Minneapolis and Kansas City show a net increase of 63,000 bu.

There was no moisture of consequence reported over our Southwest the past twenty-four hours, although the forecast points to some probable moisture by Wednesday in the western sections

There was a carryover feeling yesterday in rye and the opening quotation was on the top limit for the day. Buying orders were quickly satisfied, resulting in erratic fluctuations between the daily up and down limits.

Tomorrow will be the last day for trading on the Board in May futures contracts.

UHLMANN GRAIN CO.

[illegible]

[illegible]

In a possible move to forestall Senate approval of the House version of the 1964 Extension Bill, the administration yesterday [illegible] before the Senate Banking Committee a program to stabilize prices [illegible] after June 30, 1964, although proposal lifting means of [illegible] of income commitments could be expected after such hearing by [illegible] overwhelmed approval. The plan calls for the lessening of [illegible] financial items and greater slack. However, there is a [illegible] provision that the authority could be relaxed on any item on which [illegible] increases had occurred. Meanwhile, the House Ways [illegible] Committee is scheduled [illegible] [illegible] Committee. He so done, any renewal of rental [illegible] [illegible] to [illegible]. [illegible] been work in the [illegible] of a [illegible] [illegible] and [illegible] [illegible]. [illegible] [illegible] [illegible]

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 May 22,

According to government estimates, the wheat carryover at the end of the season will be reduced to about 80 million bu. When it is considered that just prior to the Farm Board era we had a reserve stock averaging 125 million bu, and when furthermore we realize that the population has increased to a very considerable extent, that there is more storage in the country, and that people are eating better, one can readily understand that this might lead to a very critical situation. Of course, there is the possibility at the present time that we may harvest a billion-bu crop, including both winter and spring wheat. On the other hand, there will be many holes to fill when the grain is first moved. First of all, most of our mills and many grocery stores have their shelves almost bare of flour and people are finding it difficult in every instance to buy bread. Therefore, there are bound to be great demands at home, particularly during the summer months when everyone likes to go picnicking. Furthermore, there is always a desire to get something that is scarce, and the chances are that when flour reappears in the stores housewives will be more eager to lay away larger stocks than they carried in the past. There will be a heavy demand from Europe, particularly since in a normal year about 70% of our clearances take place in the first six months of the season.

The President's nine-point program and other plans proposed that wheat which is tributary to the ports be moved into shipping channels; therefore, a good deal of wheat in Oklahoma and Texas will not be available for domestic usage. Also, there seems to be a challenge on part of farmers to bring their grain to market owing to the fact that they are required to sell half of what they deliver, and this is considered by some as regimentation. We have heard of numerous instances where farmers have claimed that they would rather let wheat rot on the ground than be forced to sell a proportion of what they had intended to store. Therefore, we are strongly of the opinion that the same aim could be accomplished through voluntary and patriotic motives if farmers were told that during the period of famine this grain is so urgently needed abroad. In any case, we have stressed in the past year that with a crop of 1,123 million bu, which is the largest in history, plus a carryover reserve of 281 million bu, and imports of say, 10 million bu, a total supply of 1,414 million bu has been pretty largely dissipated through heavy feeding operations. This is another factor that should be discouraged insofar as possible in the season ahead. We understand that in Russia spring grains are to replace fall seedings in territories where losses have occurred, and while we cannot tell from here how much damage has been sustained in the Ukraine, the Moscow radio reported prospects for a bumper wheat crop in the Ukraine and adjoining areas, which constitute one of the world's greatest production zones. In view of the early drought, it is a little difficult to reconcile these statements. However, it is now claimed that recent rains have brought about sharp improvement.

We are told that purchases of wheat under the Department of Agriculture's 30¢ bonus plan have reached 43.3 million bu, and that about half this amount was acquired between May 9th and May 16th, apparently farmers wanting to avail themselves of this high price before the program was terminated. This is thought to mean that the total may reach 70 million bu; therefore, it brings up the question whether there will be an extension in time in order to get the full goal of 100 million bu that had been sought.

Primary receipts of wheat were quite large, amounting to 2,349,000 bu compared with 703,000 bu last week, and 1,048,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 63,000 bu.

Markets were rather firm in spite of satisfactory weather, and further precipitation which was forecast for the Southwest. However, the great strength in rye was a factor, and also some believe that OPA may be stripped of many of its pricing powers if Congress approves two actions taken yesterday by the Senate Banking and Currency Committee. There was short covering in both new-crop oat futures, and in the January and March deliveries of corn.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 May 23, 1946.

One would naturally believe that if the government did everything in its power to procure a 30¢ wheat subsidy for farmers it would be greatly appreciated, but apparently this is not the case. As a matter of fact a good many people are beginning to wonder how all these expenses can be borne by the government and whether or not the appropriations will be voted. More attention is being given to people living in cities who are already complaining against higher and higher food prices, and as one of the largest farmers' cooperatives of the country has pointed out, last year's wheat crop was about 1.1 billion bu, so that if the subsidy had been applied to the entire crop, it would have cost $330 million. This farm organization has voted 50 to 3 opposing legislation to make retroactive such a subsidy, and in its resolution amongst other statements had this to say: "We deplore the creation of confusion and the destruction of confidence of the American farmer brought about by the government's fumbling and wavering policy as regard to production and pricing....Present price policies of the United States are seriously undermining the post-war market for American wheat, just as unsound price policies in cotton have nearly wrecked the foreign market for that commodity. Wheat now stands at nearly $2 a bushel. Payment of a subsidy additional to that price would be regarded by other nations as an addition to the price. Once world trade returns to anything like normal peacetime relationships, the problem of the domestic price level for wheat as compared with a lower world level would become acute. If the difference were less great than now, then the return to selling competitively with other nations would be relatively easy."

When our market opened this morning, there was not much to guide it. Rains overnight were rather inconsequential Southwest, but the forecast is still good, and our weather man believes that by tomorrow night there may be quite a little more relief over widespread areas. We also heard from the Northwest that there have been heavy rains as far weat as Casselton, North Dakota, which is just west of Fargo, and also extended north into the valley. They also had rain as far down as Milbank, South Dakota. Minnesota also had very good rain over nearly the whole State, and according to private reports, it looks as though the moisture had gone as far west as Mobridge and Pierre, South Dakota.

Everything in our opinion depends finally upon the size of the European crops, and later factors in Southern Hemisphere owing to the fact that our picture at home is becoming better defined. It now looks as though with average conditions through harvest, we might get 750 million bu winter wheat or more, and thus the chance for a total production of a billion bu is becoming safer, although many crop hazards must still be faced. With the promise of trying to get 250 million bu of this wheat into exporting channels, it will not leave too big a reserve one year hence, but, of course, this might all change if Australian and Argentine production is heavier than is now indicated, or if Europe can get along with somewhat smaller imports.

Primary receipts of wheat were large again and amounted to 2,186,000 bu compared with 2,023,000 bu last week, and 1,830,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 117,000 bu.

It was a rather quiet day here on the Exchange after expiration of May rye contracts. The latter had afforded considerable activity and at times was an influence in other pits. In Winnipeg, rye is being traded until the end of the month and prices were very strong as apparently stocks up there have been depleted almost to the same degree. It looks to us as though both Canada and the United States will have very short rye crops in the coming season but we are hopeful that there may be another 3 billion bu corn crop and it might be considerably over that figure with so much hybrid seed being used. Oats were somewhat lower on good crop prospects and we believe that there isgoing to be a big carryover reserve at the end of this season.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 May 24, 1946.

In a little over five weeks another crop-year will draw to a conclusion. We have had the good fortune to produce not only the largest wheat crop in the history of the country but also bumper yields of corn and of oats. We started last July with total wheat supplies in excess of 1,400 million bu, and it looks as though we would wind up with a reserve of only about 80 million bu owing to the heavy disappearance at home and the sizeable exports abroad. As near as one can tell, during forty-six weeks we have shipped about 331 million bu wheat and flour, but this may not include clearances to the armed forces. During a four-week shorter period, Canada has cleared 296.5 million bu wheat, having started her season last August with total supplies of 564.3 million bu, and it looks as though North America did about all that it could by way of serving the famine countries in view of the large consumptive uses to which wheat was placed on this Continent. For the season ahead the Washington program announced by Secretary Anderson calls for U. S. wheat exports to foreign claimants not to exceed 250 million bu, and it is hoped under the government program that domestic feeding of wheat can be held to around 150 million bu, and the amount for food to 450 million bu. The 80% extraction of wheat into flour is the basis of the reduced consumption at home, but whether our feeding can be held to those proportions remains to be seen.

As for the help that can be obtained from other surplus countries, of course, it is too early to say much about Canada, where seeding operations are just under way. Moderately cool weather was experienced over the Prairies during the past week while light to moderate rains have fallen over the greater part of the grain belt. A fall of over half an inch being recorded at Sprague, Estevan and Manyberries and more than a quarter of an inch at several other points. Wheat seeding is practically completed in Manitoba and over 80% completed in Saskatchewan and Alberta. Coarse grains seeded to date vary from 75% completed in the southern zone to 30% in the north. There was news of rather widespread precipitation in the Argentine, and coming at this time it is hoped that it will be beneficial for the next crop. In Australia the acreage is unofficially given at 15 million acres, which would be by far the largest in the last eight years. Conditions in that country were excellent for sowing; good summer rains fell, and conditions are considered above average. It is interesting to note that in 1939 when the acreage was only 13.2 million acres, they had a wheat production of 210.4 million bu, which was the largest during the past ten years. The smallest crop in that country was obtained in 1944 when there was a crop failure and the yields amounted to only 6.2 bu per acre and only 52 million bu was harvested. They have had acreages lately under 8 million acres, and, therefore, with as much sown as at the present time and with good conditions, the outlook is most satisfactory.

Most attention today was centered on the rail strike, which, of course, is paralyzing the Nation, although food products will receive priority during the period of tie-up. It seems a crime that a small segment of labor can cause such destruction to a Nation when total output and production is being sought. For the time being it will be extremely difficult to get grain to the seaboard, and thus the export movement is at least for the moment in peril, but the government claims that it will gradually purchase 250 million bu wheat at ceiling prices, and starting at midnight 25% of all the wheat marketed is destined for foreign shores.

We have had reports of good rains in northeastern Colorado and points in Nebraska. However, the precipitation Southwest was not as extensive as had been looked for, but substantial rains have occurred over the Upper Mississippi Valley, Nebraska, and Central States. Thus it was construed as favorable for corn and oats, and influenced slightly the opening of our oat market, with very little occurring in any of the other pits.

Primary receipts of wheat amounted to 2,587,000 bu compared with 1,780,000 bu last week, and 2,011,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 249,000 bu.

After some indifference at the start there was covering in oats, and with no new pressure gains were easily attained. It seems that the statement of the government to virtually peg wheat prices in order to acquire grain for export has had a little bullish effect in other pits, but trade on the whole was very light.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 May 27, 1946.

Mr. Anderson, the Secretary of Agriculture, spoke over the radio at noon yesterday, and seemed to be fairly optimistic that our export commitments in wheat would probably be fulfilled, despite some delays that had been occasioned by the rail strike. If the goal of 400 million bu is met it would mean that the United States had furnished about two-fifths of the wheat and bread requirements needed by the deficiency countries. This is about the program that was used as a basis for statistical data in computing our carryover on July 1st. But, of course, what is probably of more interest to the trade are the requirements for the season ahead, and, therefore, a release by the Office of Foreign Agricultural Relations should be carefully studied now in an effort to try to appraise developments for the twelve-month period ahead.

Naturally it is too early to come to definite conclusions, as there may be upward or downward revisions in production, depending on climatic conditions and other factors, but at least it can be said for the present that the outlook in Germany and Australia probably remains more unfavorable than for any of the other European districts. For Germany as a whole production will probably not differ much from the low output of 1945-46. In the American zone actual plantings have been considerably below the goal set. In the British zone the plans earlier established have been more nearly carried out, although the very large increase in the acreage of potatoes originally planned is not being achieved. On the other hand, a substantial increase in bread grains and sugar beets is a possibility. The French zone, while not officially reported, gives reason for optimism, both as regards acreage sown and yields expected. In the Soviet zone the sights were leveled high, but we do not believe that the original aims will be carried out. Dry weather has reduced the outlook for wheat, and fertilizer in this zone is short, while draft power appears to be a serious problem. The Danubian basin has fared better, and weather has been reasonably favorable except in Hungary, so that the cereal acreage as a whole is still expected to be substantially below prewar. On the whole European production of grain and sugar is relatively favorable compared with the disastrous production results of the previous year, but yet cannot be viewed too optimistically as the total output will be greatly below prewar, and besides this, carryover stocks will be at minimum levels, so that without a doubt we shall have another year of deficiency and hunger, only offset by the imports from surplus countries. Naturally there will be a temporary easing in the food position after the important grain and potato crops have been harvested in Europe, but as it has been pointed out it would be a serious mistake not to look beyond the first few months of the new consumption-year to see what will be required later on. As at present European imports should consist largely of wheat that should also include substantial quantities of fats, animal protein feeds, as well as sugar. France on basis of present reports is probably in better shape than any of the other European countries, and trade estimates present wheat production at from 260 to 290 million bu, provided there is no frost during May. This would compare with the unofficial estimate of 185 million bu for next year.

Primary receipts of wheat were 1,487,000 bu compared with 1,965,000 bu last week, and 2,332,000 bu last year. When the visible supply of wheat was posted, there was an increase of nearly 4 1/2 million bu, which now places total stocks in all positions at 22.8 million bu, which is still about 30 million bu smaller than a year ago.

Wheat and corn futures are all locked at the ceiling, and with the large demand being maintained, nobody is desirous of pressing the short side of the market.

Oats were somewhat lower, and there is still evidence of a big crop in prospect in conjunction with the large carryover.

The news from the wheat fields is not quite as optimistic as heretofore. There has been damange from Hessian Fly in the soft wheat areas, and a good many people have reduced estimates for Kansas, although it is probably too early to say whether the crop for that State will be 150 or 180 million bu. We have heard guesses of both figures, and it will probably take time before we can be sure. In Texas wherever wheat is being harvested, yields are exceeding earlier expections from 2 to 10 bushels per acre, and the best results are in localities which received moisture in plenty of time.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 May 28, 1946.

It is as yet impossible to formulate any definite ideas as to the final form of the Senate Bill affecting the extension of OPA. So far the Banking and Currency Committee of the Upper House has voted two amendments to the extension of the Price Control Act removing ceilings on meat, livestock, poultry, milk, and all products derived therefrom on June 30th. In other words, the Committee is suggesting that free markets be restored to these commodities. They have also recommended that price control on all agricultural products be placed under the Department of Agriculture rather than the OPA. The Senate Banking Committee is apparently cognizant of the fact that price controls have failed in the meat and dairy product fields, that black markets have been encouraged, and if these prices should advance under a free market it will then be up to the consumer to decide whether or not they want to resist such advances. We now have had almost two decades of experiences with government interference with free markets to afford farm relief. So far there has been nothing to point out that such measures have served either the consumer or the producer; nor that artificial interference has cured the ills of agriculture, and there has been no substitute offered for free markets to keep the proper checks or reins on shortages or under-consumption. Regulations are cumbersome to handle and slow in action, while the expression of a free market always furnished the proper balancewheel. During the period before grain ceilings had been advanced, and while floors were invoked on livestock, we had excessive feeding operations in this country, not only in the numbers of animals and poultry raised, but also in the marketing weights. With an advance in grain and feed ceilings, it is already noticeable that the average weight of hogs at the six public markets is beginning to decline, and undoubtedly the pendulum will swing from one extreme to the other if regulations are maintained.

There was some moisture overnight reported in the Texas Panhandle and present weather forecasts indicate moisture in the western areas of the grain belt. The early harvesting returns are quite optimistic with the wheat yield averaging more per acre and of higher quality than had been anticipated during the pre-harvest period. However, great resentment is being expressed in many sections over the Department of Agriculture's order allocating approximately one-fourth of this season's wheat output to the government export program. It is not the fact that the government desires to ship this much abroad, but it is the method pursued to obtain the desired quantity. Under the nine-point program of the CCC, the producer must sell half the amount which he delivers to the country elevator, and it, therefore, regiments the farmer. It takes away his prerogative to decide whether he wishes to sell or store his grain, as has been his privilege in the past. His only recourse at the moment would be to store his grain on the farm, which might have a tendency to hold supplies off the market. As Representative Hope of Kansas expressed himself, "The order is one of the most amazing documents brought to my attention. It would require the farmer to sell half his wheat when it is moved off the farm whether the grower desires to sell or not. This means that the farmer would no longer have control over it, as his own property, and it is requisitioning wheat from farmers."

According to the Dominion Bureau of Statistics, there has been a rapid disappearance of Canadian grain supplies. As of March 31, 1946, total supplies of coarse grains in all positions had reached the lowest level for that date since 1942, with stocks of oats as of that date standing at 168 million bu compared to 243 million bu a year ago. It is estimated that the year-end carryover farm stocks of that cereal in western Canada will not exceed 20 to 25 million bu. As a whole, Canada is in need of moisture, although during the past ten days heavy rains occurred in Ontario, which have improved the spring crop outlook.

Primary receipts of wheat today total 3,031,000 bu against 2,142,000 bu last week, and 2,385,000 bu last year. So far this week Kansas City and Minneapolis stocks show a total increase of 35,000 bu.

The more optimistic reports from the winter wheat belt were reflected in an easier feeling in oats, which is now the only pit in which there is any active trading.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 May 29, 1946.

Although it is quite likely that we shall be able to meet our export engagements, furnishing the deficiency countries with some 400 million bu wheat, it is nevertheless a fact that the situation next year will again be precarious, and European countries will get along only through the imports of grain on a large scale to prevent starvation. The Department of Agriculture forecasts that the 250 million bu wheat earmarked for next season's export on basis of a billion-bu crop will still fall far short of the demands for the deficit countries. Still we see no possibility of furnishing any larger amounts unless, of course, crops should finally turn out much better than presently indicated. It seems rather sad with such a food disaster taking place in the world that only four years ago, under rigid enforcement of the AAA quota system, 2 million acres of Kansas volunteer wheat had been ordered plowed up; in fact, on March 15, 1942, Representative William D. Winter of Kansas made this statement: "It is the height of foolishness to waste 2,000,000 acres of wheat when the two mightiest military machines in all history are at our throats. We need every resource we can muster to survive. The wheat in Kansas is as good as any one could want. The folks out there can't understand why they are to be forced to destroy it. Mark my words, if the administration insists upon this crime, it will see the day it has cause to regret it." At the same time Representative Hope of the same State, who was the ranking minority member of the House Agricultural Committee, declared that "plowing under wheat will be a terrible blunder." He made suggestions at that time to the Department that they permit the wheat to be used to feed animals, or that farmers harvesting volunteer wheat should have their yield deducted from the quotas for next year, but apparently the destruction went on, and nobody would heed the well-thought-out warnings. Of course, at that time it was the general view that we had more wheat on hand than could be used, but it does show very clearly that with farmers regimented and with a controlled economy how sometimes disastrous conclusions are reached, particularly when the destruction of food is ordered without thought being given to the possible demands at some later peiod.

There has been some very fine moisture overnight , rains penetrating western Kansas, with 1.20 inches reported at Dodge City and 1 1/2 inches at Great Bend; Garden City and Hutchinson each claimed an inch of rain, and besides this there was moisture in Montana and some precipitation in Alberta, in some places ranging up to almost 1 3/4inches; Saskatchewan also received light precipitation in northern districts. Generallyspeaking, winter wheat is in good condition, although there have been some reports of Hessian fly infestation in Missouri and adjacent areas. Wheat is beginning to head in southern Kansas, and there is still reason to believe that the government's estimate for a winter wheat crop of about 750 million bu may be borne out, despite some complaints in parts of the belt.

The question is asked from time to time why Argentine exports have not been heavier. Their government blames the fuel and transport situation for her failure to implement her export promises to the combined Food Board. In the first half of the season, there was insufficient coal or fuel oil, which meant that grain was burned to keep factories going. There was also the need for large quantities for feeding, and the latest word from Buenos Aires is that the remaining surplus is estimated at no more than 500,000 tons, although this is not believed to be correct in all quarters. Broomhall is somewhat skeptical, and it may be that if the price is made more attractive to the farmer, a greater contribution to the world's wheat problem may be made. Here, again, is an instance where the installation of a free market for wheat, allowing the price to finds its natural level, might prove extremely beneficial.

Primary receipts of wheat today were 1,859,000 bu compared with 2,349,000 bu last week, and a holiday last year. Kansas City stocks so far this week show an increase of 128,000 bu.

Trade was not particularly heavy, possibly about the same as yesterday, when somewhat less than 5 million bu traded. The main activity, is, of course, in oats, and that cereal was lower, reflecting the bright crop prospects, but new futures of barley were a few cents under the new ceiling, and March corn was also slightly lower, but on the whole it was a very dull session.

UHLMANN GRAIN CO.

CHICAGO, May 29, 1940.

Although it is quite likely that we shall be able to meet our [illegible] requirements, considering the deficiency [illegible] million bu. weev, it is nevertheless a fact that the [illegible] year will again be precarious, and European [illegible] only through the imports of grain on a large scale [illegible] world. The Department of Agriculture forecasts [illegible] crop will fall far short of the demand for the British [illegible] year. Still we see no possibility of purchasing any larger [illegible] of course, crops could finally turn out worse than [illegible] indicated. It seems rather sad with such a good [illegible] in place in the world that only four years ago, under rigid [illegible] of the AAA quota system, 2 million acres of land [illegible] had been ploughed up; in fact, on March 31, 1942, Representative William D. Winter of Kansas made this statement: "It is [illegible] budget of foolishness to waste 2,000,000 acres of land when the [illegible] miracles in all history are at our throats. [illegible] every resource we can muster to survive. The wheat in [illegible] good or any one could want. The folks out there can't understand why they are to be forced to destroy it. Mark my words, if the administration insists upon this crime, it will see the day it has [illegible] to repent it." At the same time Representative Hope of the [illegible] State, who was the ranking minority member of the House Agricultural Committee, declared that "plowing under wheat will be a terrible [illegible]." He made suggestions at that time to the Department that [illegible] permit the wheat to be used to feed animals, or that farmers [illegible] willing volunteer wheat should have their yield deducted from the [illegible] for next year, but apparently the destruction went on, and no [illegible] would feed the well-thought-out warnings. Of course, at that time [illegible], but it does show clearly that with farmers regimented and [illegible] a controlled economy how unwise's dictations conditions are [illegible], particularly when the destruction of food is ordered without [illegible] the possible demands at home and abroad.

There has been some very fine moisture over [illegible], being particularly welcome there, with 1.20 inches reported at Dodge City [illegible] 1/2 inches at Great Bend; Garden City and Hutchinson [illegible] inch of rain. We believe that there was moisture in Montana and [illegible] pre-injection in Alberta, in some places people are to be alarmed [illegible] Saskatchewan also received light precipitation in northern [illegible]. Generally speaking, winter wheat is in good condition, although there have been some reports of bloodsucking insection in [illegible] and moderate stand. Wheat is beginning to head in southern [illegible], and there is still promise that the government's [illegible] for a carryover of about 270 million bu. may be borne [illegible], despite some complaints in parts of the east.

The question is asked from time to time why Argentina exports [illegible] not been heavy. Their government imposes the real and transport [illegible] for the failure to implement our export promises to the [illegible] food board. In the first half of the season, there was insufficient [illegible] of the oil, which meant that grain was burned as [illegible] fuel. There was also the need for large quantities [illegible], and the latest word from Buenos Aires is that the re[illegible] is estimated to be more than 500,000 tons, although [illegible] to be correct in all quarters. Incidentally is [illegible], and it may be that if the price is made some al[illegible] a greater contribution to the world's wheat [illegible], which is an instance where the inflation [illegible] out, allowing the price to fight its nat[illegible] beneficial.

[illegible] today were 1,894,000 bu. compared [illegible] a holiday last year. Kansas City [illegible] about the same as [illegible] ended. The main

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CHICAGO MERCANTILE EX.

CHICAGO, 4 May 31, 1946.

Over the Memorial Day holiday rains had been reported in Alberta, Saskatchewan, North and South Dakota, and Minnesota. This was in addition to precipitation in parts of the Southwest, and we believe could be construed only as favorable by the grain trade. Despite these weather developments, markets were rather firm, and there seems to be feeling in some quarters that OPA ceilings with respect to grain may be withdrawn either by October of possibly before, and this it seems is causing some apprehension among shorts who have seen previous futures advance to ceiling levels and become locked there for lengthy periods. Possibly the fact that parity prices also advanced rather sharply may have accounted for today's firmness. The Department of Agriculture announced that the new wheat parity was $1.63, or an increase of 3¢ over the April 15th figure, and a 10¢ advance since last year. Corn parity at $1.18 is 7¢ more than a year ago, and a 2¢ increase for the month. Thus, there can be little doubt that inflation is making itself felt in all directions, and will undoubtedly continue until we really get into production.

It is now regarded as quite likely that our carryover of wheat on July 1st will be less than 100 million bu, and may be as low as 80 million bu, which would be the smallest since 1937. It is also to be expected that the wheat stocks in the four large exporting countries will be the smallest since 1937, and may total only about 350 million bu, or 25% less than the average of the five years prior to the war. The heavy reduction from the all-time high just three years ago reflects the disappearance that was stepped up by wartime food and industrial requirements, especially in the United States and Canada. We have spoken before of the extra disappearance of wheat in the Argentine, with wheat being used for fuel. Furthermore, the crop in Australia in December 1944 was very small, estimated at only 53 million bu, and the one in 1945 at 140 million, so that with added needs for feeding grain, it seems that the total remaining supplies everywhere are greatly reduced. It is, of course, encouraging that production prospects in most countries are better this year than last. This does not refer to our own country where we had a bumper yield, but most sections of Europe have been reporting satisfactory conditions with early prospects for wheat above 1945. In France, Italy, and Greece current indications are for a combined wheat crop of about 500 million bu compared with only 355 million bu a year ago, and a pre-war average of 600 million bu. There are, of course, other countries where prospects are poorer, notably in Germany, although in Spain the 1946 acreage is the largest in ten years, and all of the crops are reported as doing well. In North Africa, while there may not be enough for exports, at least, the yields should be about equal to domestic needs. Rains are urgently needed in southeastern Europe, but it is too early to tell now what the final results will be.

We have not talked much about rye lately, but this year's crop, based on the May 1st condition, is only half the ten-year average (1935-44). It is one-fifth less than the small 1945 crop of 26.4 million bu. The prospect is for the smallest rye crop on record for any year since 1881, except for the two drought years of 1933 and 1934.

Primary receipts of wheat were quite large, and amounted to 4,101,000 bu for the two-day period; this compared with 2,587,000 bu last week, and 3,102,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 74,000 bu. When the visible supply of wheat is posted Monday it will compare with an increase of about 2 1/2 million bu last year.

Tere was not a great deal of activity. Oats were about the only cereal where there was any volume at all. There were a few transactions in March corn, but that delivery finally went up to the ceiling of $1.46 1/2, and was bid there. During the session further reports came of rains in the Southwest, but apparently this had very little influence on the market.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 June 3, 1946

Since the issuance of our last market letter, Friday, the Directors of the Chicago Board of Trade reconsidered the directive of May 12th, and ordered that trading in all futures contracts at the close of business, Saturday, June 1, 1946, be continued for all purposes at or under the new ceiling prices established by governmental agencies. This action was taken in view of the fact that government agencies were unable to issue directives in accordance with their earlier request.

When traders arrived at their offices this morning, they found a temporary injunction had been issued to disallow resumption of trading in grain futures on new ceiling levels. The Directors immediately ordered suspension of trading in all grain contracts awaiting clarification of the injunction. When a hearing was held before Judge Shaw, he set aside the injunction, stating there was no reason for suspending operation of the world's largest grain market, and if any individual felt he had a claim, his redress for damages, if any had been suffered, was through a lawsuit. Following the Judge's decision, trading was started at 11:30 A. M.

Much attention is being attracted to many press notices of shortages of bread in this country, and the inability of millers to find supplies sufficient for operation. In view of this fact, the Agricultural Department has announced it would lend wheat to millerw who were short of supplies in order to furnish flour in areas where bread supplies are less than the reduced emergency levels. The wheat loan will be taken from the 81 million bu which the government accumulated for export under the recent 30¢ bonus plan. This all bears out the fact that one artificial action leads to progressive stop-gap plans.

There was some moisture over the week-end in portions of western Kansas, although generallyfair weather prevailed in other areas, with the exception of southern Indiana and Ohio. Temperatures are below normal for all sections, but we have not heard as yet of any damage reported from low temperatures. There will be continued cool weather for the next twenty-four hours, but temperatures should moderate by Wednesday.

The Baldwin report for Illinois stated that wheat is in full head, with condition of poor to excellent. The Hessian fly apparently has taken its toll in some areas. The oat crop generally shows an improvement, with growth satisfactory and color good. The same source also reports that considerable progress was made during the past week toward corn planting.

When the visible supply was posted this morning, there was an increase in wheat of 5,989,000 bu, making the total 28,825,000 bu compared with 55,300,000 bu a year ago, or approximately 26 1/2 million bu less. Primary receipts of wheat today totaled 1,924,000 bu versus 1,489,000 bu last week and 1,951,000 bu the comparable day last year. Chicago stocks of wheat for the past week show a nominal increase of 19,000 bu; total stocks of wheat in this city are only 176,000 bu; and rye 234,000 bu.

When trading was resumed, the old futures of wheat and corn advanced the full 5¢ permissible limit for one day. This was expected, however, by all those in the trade. After the more urgent buying in oats was satiwfied, that market developed considerable weakness, with none of the old months remaining at the new ceiling price. With oats now remaining the only cereal actively traded, more interest is being focused on that pit; in fact, starting Wednesday oat trading will be transferred to the wheat pit, where more space is available.

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CHICAGO, 4 June 4, 1946.

While it is generally acknowledged that the export business will keep up at a high level for at least twelve months, a good many people are beginning to wonder how far beyond that period the surplus countries will be called upon to furnish grain to take care of the famine requirements not only in Europe, but also in Asia. It is rather difficult to have any firm convictions on a subject so vast; first of all because the temper of the people will have a definite bearing on the situation, besides which it will require good seed, fertilizers and farm implements to work efficiently in those countries that have been placed in such a desperate and chaotic state. It is difficult enough in normal times to forecast crop, not knowing whether there will be droughts or floods, but in any event it appears from what the experts tell us that it will take at least two or three years to attain prewar levels in many of the countries where such great destruction and havoc have been wrought. Of course, war always takes a very great toll of manpower, and with the serious shortage of farm machinery, and the strikes which have occurred in this country it will probably make it imperative that our own farmers will benefit at first before exports of any consequence can take place. It is bound to be a slow and laborious procedure even granting that the various foreign governments concerned will take a hand and do everything within their power to work out a long-range agricultural program.

The general trend of policy as near as we can figure out is in the direction of encouraging production of more cereals and less livestock based on the belief that people can thus be kept alive if fed directly with grain, even though meats and more substantial foods are being coveted. This is brought out by Mr. Hoover's recent report covering the European food shortage wherein it was claimed that the dominant need of the world in this crisis is for cereals, particularly wheat and rice. It is, of course, encouraging that conditions in the Southern Hemisphere have recently been optimistic, but as we pointed out if a higher level of prices were permitted in the Argentine, very likely greater encouragement to farmers would yield better results. The third estimate of the 1945-46 wheat crop is 143.5 million bu. In Australia seeding conditions were excellent, and while they may not attain the full goal of 15 1/2 million acres, it does look like a big area for harvest with moisture conditions ideal thus far with the exception of the western sections. Because of various conditions, wheat and flour shipments from Australia from August 1st to April 20th amounted to only 28 million bu compared with 94.5 million bu average from 1931 to 1935. The best news recently from Europe came from the Danubian basin where good rains were experienced over a wide area; so far as Bulgaria is concerned, the drought has been broken. Too much rain was experienced in Spain and Portugal, and this affected crops in the low areas, but generally speaking too much moisture rather than too little is preferable. There have also been reports of widespread rains in France and Germany, and winter crops promise a better yield than last year, although should still be under-normal.

Primary receipts of wheat amounted to 2,829,000 bu; this compares with 3,031,000 bu last week, and 3,344,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 18,000 bu.

It was a foregone conclusion that old futures of wheat and corn would advance 5¢ to the full permissible limit, and we believe that this will continue until the allowable OPA ceilings are reached, which will correspond to the prices set for the new futures. Oats were quite firm, and some of the short covering was due to a statement by Senator Thomas, claiming that 50 Senate votes for his proposal to wipe out price controls would undoubtedly be obtained onall basic commodities. He also told a reporter that an unofficial canvass by farm organization leaders showed that the majority was against continued price controls. Otherwise, there was not much in the way of news.

It looks as though weather would be clear for the next four or five days.

Meanwhile 98% of the flour mills of the United States will be closed by tomorrow, according to the Millers National Federation, and we see little chance of any relief until there is wheat in sufficient quantity from the new crop.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

MEMBERS:
CHICAGO BOARD OF TRADE
NEW YORK PRODUCE EXCHANGE
NEW YORK COCOA EXCHANGE
NEW YORK COFFEE AND SUGAR EX.
COMMODITY EXCHANGE INC.

UHLMANN GRAIN COMPANY
TELEPHONE HARRISON 6282
141 W. JACKSON BLVD.

MEMBERS:
MINNEAPOLIS CHAMBER OF COMMERCE
WINNIPEG GRAIN EXCHANGE
DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH SPOT COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 June 5, 1946

Our government is attempting a Herculean task in collecting foods to alleviate the suffering in Europe and elsewhere. Certainly the average person in this country wholeheartedly subscribes to the fact that we must do our share to be of assistance to other nations. However, it seems unfortunate that just at the start of the new-crop movement, there should be so much confusion and resentment on part of many producers and lack of supplies in the milling industries. In meeting changing conditions, the specter of regulations seems to be in conflict with the orderly procedure which has always taken place under free and open markets. The government recently completed a program of collecting approximately 81 million bu wheat under a 30¢ bonus plan. The primary objective for such a program was to furnish supplies for export, but coming at the end of a crop-year, it has so depleted the visible and available supplies that according to many millers and bakers, production of bread is seriously hampered. To ease this situation, it is indicated that the Department of Agriculture is contemplating loaning about 10 million bu during the present month from the amount which they collected under the bonus plan to mills which are urgently in need of supplies, but this wheat will have to be returned to the Department of Agriculture after the new crop supplies are received at market. This, however, entails some risk for the mills in case extension of OPA should be in such form as to permit higher agricultural ceilings, as it would then be necessary to purchase the wheat, which is to be returned to the government, at a higher price.

According to press dispatches there is also a great deal of dissatisfaction being expressed by producers on the order forcing them to sell 50% of all wheat which they place in public storage. Being more or less a country of individualists, many farmers believe that their rights are being interfered with and that the order is tantamount to seizure without due process of law. Many farmers believe that in order to coax supplies out of the country, prices may have to be raised later in the year, and the present order of the government will undoubtedly cause a great deal of wheat to be stored on farms in inadequate, old barns and buildings. Whether the present procedure will be altered remains to be seen.

The government weekly weather and crop report indicates that corn planting is near completion in most sections of the main belt, and that early planting is up to mostly good stands. In small grains they report that recent rains in the West were very beneficial, with more sunshine and warmth now needed. Wheat combining is active in the Southwest as far North as south central Kansas.

The only private estimate now made up was issued today indicating a winter wheat production of 751 million bu, or a reduction of about 34 million bu from their previous estimate, and is compared with the government forecast of May 1st of approximately 743 million bu. Production of spring wheat is placed at approximately 268 million bu. As we have reported several times, the early harvest indicates larger yields than had been anticipated, but it is still a little early to forecast whether damage, if any, occurred to wheat due to the frost the early part of May.

A report of the Russell Miller Milling Co. from their northwest stations indicates that the rains the latter part of last week were rather generous with most of their stations reporting 1/2 to 1 inch of rain.

Primary receipts of wheat totaled 1,619,000 bu as compared with 1,859,000 bu a week ago, and 2,411,000 bu on the comparable day of last year. So far this week, Minneapolis stocks show an increase of 40,000 bu. We have no report as yet from Kansas City.

There was no moisture reported from the Southwest overnight and generally fair weather is forecasted, with possible light showers in the extreme western section of Kansas tonight or Thursday. A report from our office at Amarillo states that the wheat continues to show improvement on the north plains where early cuttings are showing better yields than expected although in other sections this is not the case. For the third day since old contracts were re-opened, wheat sold up the 5¢ permissible daily fluctuation bringing the price now to the new ceiling. There was a little trading reported at full limits. At the moment, the feeling in oats remains a little two-sided and although growing conditions are favorable, shorts are somewhat restrained by the threat of possible legislative action which might affect agricultural prices.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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MEMBERS:
MINNEAPOLIS CHAMBER OF COMMERCE
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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 June 6, 1946.

Mr.Anderson, Secretary of Agriculture, made a speech yesterday in Atlantic City, and while it is too long to repeat in detail, we did find some very interesting statistics, which we are giving herewith: "In this country agriculture as a whole is more nearly a 90 billion dollar business today --about twice as big in dollars and cents value as it was in 1940. Farmers have an equity of about 99% in their plant. That makes them pretty good businessmen when their assets are ten times their liabilities. Their land has increased in value about 17 billion dollars since 1940. Their livestock equipment, machinery, and crops in storage have increased about 8 1/2 billion dollars. The quick cash assets of farmers total more than 18 billion dollars, including cash on hand, deposits, war bonds, and warehouse receipts. The cash value of their crop, which in 1940 was 7 1/2 billion dollars, last year had risen to 20 billion dollars."

At the present time there is considerable debate in Washington as to whether or not the life of OPA should be extended beyond June 30th. The matter has not yet been brought to the floor of the Senate but we understand that, in spite of Mr. Bowles' plea the night before last for continuation of present powers, including agricultural products, the Senate Banking Committee defied some of the warnings, and although the deliberations were in executive session, it seems to be general knowledge that certain amendments lifting controls for meat and dairy products are being considered. Other important provisions of the Bill which have been tentatively agreed upon include the provision that ceilings could not be maintained on a farm product unless the Secretary of Agriculture certified that it was in short supply.

It is not surprising in view of these conditions that shorts are somewhat on the defensive. Higher prices were registered for oats, despite very beneficial rains that had been reported in our Northwest; Southern Alberta, Montana, and North Dakota received rain where it was badly needed, and while there was nothing extremely heavy,it all helps at this time of year. There were one or two spots that received as much as two inches, and we understand that this was the case at Minneapolis, and possibly later reports will tell of heavier precipitation in other larger areas. Meanwhile, temperatures are entirely satisfactory, ranging from a low of 53 to a high of 85. With every possibility now that we shall have another crop of one billion bu, including spring and winter wheat, it is more encouraging that our commitments to Europe may find fulfillment, but as we read foreign advices, we are more and more convinced that Europe is going to lean heavily upon the surplus countries. As the London Economist pointed out in the last issue to reach this country, "Pious aspirations and agreement on the need for action will not feed the hungry." England still continues under heavy rationing, although there has been a little flexibility in the past few weeks, and it is hoped that every eight weeks the situation will be reviewed to see if any further modifications can be achieved. In order to save cereals as much as possible, the British have been permitted to receive slightly more sugar for making jam during the fruit-growing season.

We are receiving reports from the Southwest and practically all parts of Oklahoma claim that threshing returns are running above expectations. Some even believe that 80 million bu might be possible for that State. A crop of nearly 70 million bu is likely for Nebraska, according to some of our advices, and there are even some increases in the estimate for Kansas, with figures running as high as 181 million bu. In any case wheat has improved tremendously during the last two or three weeks. Some of the figures that we have mentioned may appear a little high, but at least this is the talk based on present indications.

There was a little trading in old wheat contracts, but the volume was small. Elsewhere, things were almost at a standstill, except for oats, in which a rather active market prevailed, although early advances were lost when liquidating sales came into the pit, and the close was slightly lower.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

MEMBERS:
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TELEPHONE HARRISON 6282
141 W. JACKSON BLVD.

MEMBERS:
MINNEAPOLIS CHAMBER OF COMMERCE
WINNIPEG GRAIN EXCHANGE
DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 June 7, 1946.

It is very encouraging to note that good weather continues in the spring wheat areas, both on this side of the international border, as well as in Canada. There were good rains over many parts of the Dakotas and over sections of Montana, some places reporting as much as 1 1/2 inches. While it is generally felt at this time that a crop of a billion bu is likely, we can still not become too enthusiastic that this will be sufficient for all purposes, owing to the fact that if we ship 250 million bu from these shores, it will leave just minimum requirements for our home needs without leaving any margin for error. For example, 450 million bu is the figure given by the government for domestic food. This is quite a bit less than we have been using during the war years, and this can be attained only through certain economies and continued high extraction of flour from wheat. Practically nothing is allowed for industry, only 5 million bu being mentioned, and this figure may have to be revised upwards later on. We have no quarrel with the 85 million bu for seed owing to the fact that no increases in acreage are being sought, but we do believe that it will be very difficult to restrict wheat feeding to the figure of 150 million bu, as suggested by the Agricultural Department. True enough, this estimate is a little more than average for the period before the war, but it is extremely difficult now that farmers have become accustomed to feeding wheat to feel certain that we shall go back to the former basis. It is certainly questionable in those sections where corn is still scarce, but, of course, much will depend on the outcome of next year's yield. This may still be a very optimistic story for the reason that corn seeding was accomplished under favorable conditions. Under present conditions one might think that possibly the government would be inclined to pay a bonus to acquire their commitments for export, although an official of the Department was quoted as saying that wheat ceiling prices would not be raised until June 30, 1947. This stand was taken despite a telegram to the Secretary of Agriculture from Senator Butler, urging the Department to apply famine emergency programs to this year's wheat crop. The Agricultural Department spokesman pointed out that when the grain ceiling price schedule was announced May 18th, it was aimed to provide an ample allowance to reflect any increases for the year ahead.

Some weeks ago rains were reported in the Ukraine, but from the fragmentary information now available, we are afraid that dry weather has returned. The all-important crop of wheat now maturing in that region may be threatened with drought unless rains fall soon, and thus serious damage may occur. The Russian newspapers have contained no hint of coming disaster in the South, and in fact, there has been mention of abundant Autumn and Spring rains in the Southeast, which include the Caucasus, but not the Ukraine. Just how much wheat Russia might export next season if favorable results are obtained is difficult to tell, but we do know that she made immense sacrifices during the war and she actually has found more than a million tons of grain to send to Poland, Finland, France, Rumania, and Czechoslovakia during the past few months. Therefore, as Broomhall points out, it was not altogether surprising to learn that President Truman's appeal to the Soviets to join the Anglo-American fight against world famine had been turned down. It was stated then that the appeal came too late and that reserves were exhausted.

Primary receipts of wheat amounted to 2,197,000 bu compared with 4,101,000 bu last week, and 2,137,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 822,000 bu. When the visible supply is posted Monday it will compare with last year's increase of nearly 4 million bu.

There was considerable covering of oats today, and of course, there is no pressure yet from the new crop, although prospects are still good. Rains in Canada, and in our Northwest failed to have much influence, and the map showed about one inch at Calgary and lesser amounts in other parts of that country, but recent reports indicate that improvement is taking place. For the time being there is great caution on part of shorts, particularly with wheat, corn, and rye all wanted at the advanced ceilings.

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DAILY MARKET LETTER

MEMBERS:
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141 W. JACKSON BLVD.

MEMBERS:
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WINNIPEG GRAIN EXCHANGE
DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 June 10, 1946.

With all cereals on the Board of Trade wanted at the ceiling, and business virtually at a standstill, we believe that it is probably appropriate to try to discuss the functions of a market and what the fundamental problems are. Economists have always agreed pretty much that the main purpose was to move the whole crop into consumption without a shortage and without an excessive carryover. Price is the instrument through which the market does this, and if the market is free, open, and competitive, it makes the automatic adjustment of production to consumption. In other words, the high price following a short crop curtails consumption and stimulates production. The low price following a large crop increases consumption and curtails production. Thus, it follows that the function of the market is to fix that price, which will definitely coordinate production and consumption. Such a price is sometimes called an "equilibrium" price, or a fair price. it is also true that in an open, competitive market a constant adjustment is made coordinating consumption to production on the basis of facts and not theories. We have not had such a normal situation since OPA and other artificial stimuli have been adopted.

Therefore, we have had dissipation of supplies on many occasions because consumers did not economize in view of the fact that prices were kept at a price level that was overly attractive. In some cases subsidies were invoked, and the housewife used larger quantities of butter, cheese, and various articles, not realizing that the price obtained was only made possible because of the fact that the government paid the difference between the economic price and the value actually set by some governmental agency. We have seen in the past that even when there were crop failures prices very often took care of such situations. Some years ago, when only 2 billion tu corn was harvested, it looked as though there would not be enough to take care of all requirements, but still the advance in the market made it less profitable to feed corn to animals. Consequently, with some savings brought about and smaller amounts consumed, there was finally enough to take care of our commercial needs and still at the end of the season we had a small but yet adequate reserve. This cannot happen when prices are kept artificially low. For many months corn on a tonnage basis was far cheaper than wheat and other feeds, with the result that the movement to market was imperiled and tremendous black markets were built up. Even now the same situation confronts us, and so while prices are presumably held down, black markets have grown to such proportions that only a small number of citizens are actually observing OPA regulations. This we believe is the reason for the heateddebates in Washington. Probably by the end of the week we shall know whether or not controls are going to be relaxed or vacated.

Little attention was paid to other factors; in fact, the pits were more or less deserted. There had been rains in the Northwest, principally in Minnesota, but these also extended farther west because on Sunday Great Falls, Havre, and Helena, Montana, reported a trace, but there was nothing shown for South Dakota. On the other hand in Canada, Alberta was favored, and on the whole there must have been considerable improvement during the past ten days. After the close of the market tonight, we shall have a government report estimating crops and from all indications there is going to be some improvement in the winter wheat status since May 10th when the previous estimate was published.

Primary receipts of wheat totaled 1,483,000 bu compared with 1,924,000 bu last week, and 1,667,000 bu comparable day last year. When the visible supply was posted it showed an increase of 4,391,000 bu, making the total supply 33,216,000 bu, or approximately 26 million bu less than a year ago. Outside of corn there is very little change in Chicago stocks, wheat increasing 15,000 bu, and rye decreasing 62,000 bu.

There was very little news to this morning's session, although one message from Hutchinson, Kansas, indicated that harvest would not be general for about ten days, but some parties who were out over the weekend believe that the final outcome of the crop will be larger than anticipated. The same sources advised that there is great tendency on part of producers to store all the wheat possible on farms in view of the Government order to the effect that the producer must sell half the wheat which he brings to country elevators.

UHLMANN GRAIN CO.

With all cereals on the Board of Trade market at the ceiling prices virtually at a standstill, we believe that it is proper for us to discuss the industries of a market and what and economical problems are. Economists have always agreed that by much a shortage and without an excessive carryover. Price is the instrument through which the market does this, and if the market is free and competitive, it makes the automatic adjustment of production to consumption. In other words, the high price following a short supply consumption and stimulates production. The low price

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Therefore, we have had disruption of supplies on many occasions. Prices were kept at a price level that was overly attractive. In other words, subsidies were involved, and the consumer used larger quantities of butter, cheese, and various articles, not realizing that the price charged was only made possible because of the fact that the government paid the difference between the economic price and the value actually set by some governmental agency. We have seen in the past even when there were crop failures prices very often took some such situations. Some years ago, when only 2 billion bu corn was harvested, it looked as though there would not be enough to take care of all requirements, but still the advance in the market made it less profitable to feed corn to animals. Consequently, with some assistance of short and smaller amounts consumed, there was finally enough

Last season we had a small but yet adequate crop. This cannot happen when prices are kept artificially low. For many months corn on a cash basis was far cheaper than wheat and other foods, with the result that the movement to market was impeded and tremendous blocks of stocks were built up. Even now the same situation confronts us, but while prices are pressurably held down, black markets have grown

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DAILY MARKET LETTER

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CHICAGO BOARD OF TRADE
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NEW YORK COFFEE AND SUGAR EX.
COMMODITY EXCHANGE INC.

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141 W. JACKSON BLVD.

MEMBERS:
MINNEAPOLIS CHAMBER OF COMMERCE
WINNIPEG GRAIN EXCHANGE
DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH [illegible] COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 June 11, 1946.

After the close of the market yesterday, the government report was released estimating a winter wheat crop of 774,588,000 bu, and a spring forecast of 250,921,000 bu, or a total crop of over a billion bu. Under more normal conditions this report would have been a market factor this morning, but under present price ceilings and governmental restrictions in handling the new crop, no impression was made on the prices. The main item of interest is that we are again faced with the possibility of another large crop, and should present prospects be maintained, it will be the third successive year in which crops have reached the proportions of a billion bu. In spite of unfavorable weather earlier in the season, the government estimate shows a good recovery in winter wheat in all States but Texas, although somewhat reduced from the original report. However, the present prospect indicates a crop of approximately 187 million bu for Kansas, 73 million for Oklahoma, about 42 million bu for Texas, and Nebraska is estimated at 75 million bu. A crop of such proportions should spell great activity for the grain trade, but under present restrictive orders, particularly the fact that every week surplus stocks of elevator houses must be offered to the Commodity Credit Corporation, it does not seem possible that there will be accumulations of wheat in private hands other than governmental and industry. Our early reports from the Southwest seem to indicate a holding tendency on part of producers and a desire to store wheat back on the farm, as apparently many sources are not taking heed of the government order requiring all producers to offer for sale 50% of whatever wheat they bring to the country elevator. Despite the fact that from official quarters it has been announced that there will be no raise in ceiling prices until June 30, 1947, at the moment the extension of OPA is in doubt. Secondly, in the past, inducements were offered to farmers to market their crop after assurance had been given of "holding the line." In this connection it is now officially reported that the 30¢ bonus plan produced 81 million bu wheat against a goal of 100 million bu, while 34 million bu corn was purchased against a goal of 50 million bu.

A spring survey of world food production made by the Combined Food Board indicates that production will be substantially larger than in 1945, but still below pre-war levels and not large enough to ease famine threats in many sections. According to our own Department of Agriculture this year's harvest in Europe and Asia, plus probable imports, will only afford a breathing spell from famine next winter. It is anticipated that severe food shortages will continue until 1947. While food production in Europe and the Far East will be increased from last year, it will be far below pre-war levels, and in order to maintain the vast population at bare subsistence levels, generous imports will be necessary. Failure to furnish supplies to these areas might lead to the danger of prolonged malnutrition with its permanent physical and mental consequences.

At the moment the grain trade's attention is still focused on Washington awaiting final action on part of the Senate on the proposed extension of OPA. Apparently many Washington lawmakers do not believe there is any widespread public demand for continuing the price control program. At the present time there seems to be considerable political maneuvering as to where the blame should be shouldered in case the President vetoes the price control measure, which now seems to be shaping itself in Congress. Of course, failure to pass the bill by June 30th would automatically end OPA the last of this month.

Primary receipts of wheat totaled 1,900,000 bu as compared with 2,829,000 bu last week, and 2,152,000 bu same day last year. So far this week Kansas City and Minneapolis stocks show a net increase of 52,000 bu.

Local showers occurred the past 24 hours over portions of the Dakotas and Minnesota, while elsewhere weather was mostly fair; temperatures are somewhat lower in the Northwest, but warmer throughout the Southwest and Central States. A very well posted grain man in the Northwest writes us as of yesterday that crop conditions in his section look a lot better, as practically all of the territory received from 1/4 to 2 inches of rain during the past week. However, while conditions have improved much of the territory will have to depend on timely rains during the balance of the growing season.

All of the oat futures with the exception of July, sold away from the ceiling during this morning's season. There seemed to be some hedging pressure, possibly against the purchase of cash oats.

UHLMANN GRAIN CO.

After the close of the week [illegible]
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DAILY MARKET LETTER

MEMBERS:
CHICAGO BOARD OF TRADE
EW YORK PRODUCE EXCHANGE
NEW YORK COCOA EXCHANGE
W YORK COFFEE AND SUGAR EX.
COMMODITY EXCHANGE INC.

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141 W. JACKSON BLVD.

MEMBERS:
MINNEAPOLIS CHAMBER OF COMMERCE
WINNIPEG GRAIN EXCHANGE
DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 June 12, 1946.

Despite the fact that we are getting closer to the maturity f crops in Europe, the demands from surplus nations remain unabated, nd the chances are that for the next year or two there will be heavy aroads on whatever reserves can be spared, not only from North merica but also from Argentina and from Australia. On the other and, it is just as obvious that the day will come when European pro- uction will become more normal, and particularly in Germany we feel hat since that country cannot return to a commercial status, agri- ulture may assume an important roll, particularly as the people have aced starvation and recognize that surplus grains will avoid further atastrophies.

In the meantime, it is well to realize that the Canadian gov- rnment is anxious to enter into a long-term contract with Britain or supplying her with wheat. Britain in normal times is the largest ndividual importer of all European countries, and used to take about alf the grain that came to that Continent. When Mr. Gardiner, anada's Minister of Agriculture, visited England some months ago, he question of a new contract was tentatively discussed, and we under- tand recently he confirmed in a statement to the people that possibly uch an agreement might be signed. We have known for some time that his would finally be a disturbing element to the other surplus coun- ries. During the course of recent conversations in Canada, we have een led to believe that they were pretty close to an agreement of urnishing somewhere in the neighborhood of 200 million bu wheat per ear to Great Britain. The amount might not go much beyond that and ossibly it would be 10 to 25 million bu less, but if any such figure ere attained, it would certainly be the bulk of Britain's needs. We lso have gained the impression that an agreement if reached would lso be on basis of a general price to be negotiated later. In those alks a figure of $1.55 per bu was mentioned, this being in Canadian unds. It was also regarded likely that such an agreement might con- inue for a period of three years. All this, of course, lessens the ossibility of re-opening either the wheat market at Winnipeg or at iverpool, particularly at a time when there are further discussions s to floors in order to protect agriculture. Of course, their deas of a minimum in Canada are considerably lower than ours, but, evertheless, nobody can foretell the future at this time, partic- larly with respect to Europe, as a great many people on the Continent re convinced that European nations are apt to again subsidize the roduction of wheat, the same as they were doing before the war, eing afraid of a return to scarcity such as has visited them at the resent time.

In our own country, having started six or eight years ago ith the loan program on wheat, we now find that farmers will be able o borrow about $1.46 per bu on an average, which is an increase of bout 8¢ over last year, and it looks very much as though a good deal f wheat will again be impounded. However, a certain amount must be old and the government is straining every effort to get 250 million u for its overseas commitments.

There were pretty good rains over the corn belt again, and e believe that the crop has gotten off to a better start than during he past two or three years. Of course, it is very early to make ny forecasts but at least with the soil condition favorable and plant- ing nearing completion, except in sections of the Ohio Valley, one can eel rather optimistic. Many fields have become quite weedy, and it ill be necessary to cultivate, but sunshine generally follows rain, nd the crop is generally up to good start, according to the govern- ent weekly report, although the coolness at the beginning of the eek has been unfavorable but at least warmth that followed has timulated growth and development.

Primary receipts of wheat amounted to 2,590,000 bu compared ith 1,619,000 bu last week, and 3,218,000 bu last year. Kansas City nd Minneapolis stocks so far this week show a total increase of 68,000 bu.

There was no particular feature to the market, except that ats were rather firm. This may have been in sympathy with cotton, nd the trade is watching that market closely, figuring that the outhern people have a fairly good conception of what may happen to he OPA. The trade, of course, is watching these developments with he utmost interest.

UHLMANN GRAIN CO.

CHICAGO, June 12, 1934.

[illegible] be the fact that we are getting closer to the normality [illegible] Europe, the demands from neutral nations remain unabated. [illegible] chances are that the next year or two should bring a heavy [illegible]

[illegible] not also from Argentina and from Australia. On the other [illegible] it is just as obvious that the day will come when business pro[illegible] will become more normal, and particularly in Germany, we feel [illegible] that that country cannot return to a commercial status, quite [illegible] as they stand at important rail, particularly as the [illegible] stability and recognize that surplus grains will avoid [illegible] [illegible].

In the meantime, it is well to realize that the Canadian [illegible] is anxious to enter into a long-term contract with Britain [illegible] supplying our wheat. Britain is normal home is the largest [illegible] importer of all Europe, countries, and used to take about [illegible] the profit back into that Continent. When it, however, [illegible] Minister of Agriculture, visiting Europe some months ago, [illegible] of a new contract was tentatively mentioned, and we [illegible] reasonably be confirmed in a statement by the people that possi[illegible] agreements might be signed. We have known for some time [illegible] would finally be a clearing of clouds to the other nations [illegible]. During the course of recent conversations in Europe, we have [illegible]

[illegible] Canada is 20 to 25 million in bags, but if any such figure [illegible] obtained, it would correctly be the bulk of existing needs. [illegible] active demand the improvement on agreement it remained [illegible] on basis of a general price to be negotiated later. The figure [illegible] of $1.15 per bu was mentioned, this being in Canadian [illegible]. It was also reported likely that such [illegible] for a period of three years. All this [illegible] bility of re-opening either the wheat ma[illegible] ket, particularly at a time when [illegible]

[illegible] of a medium in Canada was considerably [illegible] thereby, most certainly the trade [illegible] with respect to Europe, as a great many be [illegible] overseas then European nations are not to [illegible] tion of wheat, the same as they were during [illegible] afraid of a return to scarcity such as [illegible] time.

In our own country, having reached six or eight years [illegible] the loan program on wheat, we now find that remains will be [illegible] about 11.45 per bu on average, which is an increase of [illegible] 24 over last year, and it looks very much as though a good deal [illegible] will again be impounded. However, a certain amount must be [illegible] and the government is advertising every effort to use 100 million [illegible] its overseas commitments.

There was plenty good rains over the corn belt again, and [illegible] have that the crop has taken on to a better stage but [illegible] two or three years. Of course, it is very early to make [illegible] the last, and hand with the full condition [illegible] and plant[illegible] condition, except in sections of the Rio Grande Valley, we can [illegible] satisfactorily. Many fields have become quite weedy, and is [illegible] to cultivate, but something generally [illegible] up to good start, recovering to the power[illegible] [illegible] the conditions at the beginning of the [illegible]

[illegible] increased to 2,390,000 bu compared [illegible] and 3,[illegible] bu last year. Buenos Aires [illegible] a total increase of

DAILY MARKET LETTER

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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 June 13, 1946

Generous rains have fallen the past 24 hours over a large section the corn belt area, and generally speaking all crop reports are of optimistic nature. Harvesting is spreading throughout Kansas and lahoma, with almost universal expressions that yields are better an had been expected, even a few weeks ago. Those who have watched e development of wheat crops for many years always stew and fret for ny months as to the ultimate outturn, but weather a week or ten days fore harvest is always of paramount importance. The recent rains the Southwest, followed by a hot sun has probably forced the harvest week or two ahead of schedule.

The Iowa Weekly Crop and Bulletin reports that the warm, dry weather e past week has been ideal for corn and soybean development, and that rn stands at about normal. In summarizing the situation the report ates that Iowa's major crop is off to the best start in any recent ars. Since this report was issued there has been moisture throughout e State, not only has it been beneficial to corn, but to oats as ll. Nebraska also reports that corn made good progress during the st week, and that in the Eastern section of that State wheat has gun to turn, indicating the approach of harvest. We had a message is morning from Great Bend, Kansas, stating that one of our friends de an extensive trip yesterday, and that fields now being harvested e making 25 to 30 bushels per acre, and it does not look as though e late frost and freeze did very much damage in that territory.

With the winter wheat crop now almost assured interest is centered the quantity of wheat which will be stored on farms, and the antity which will be available for commercial channels. Resentment ntinues to be expressed in many country areas against the regimenta- on of the producer through the government order forcing the sale of % of whatever quantity is brought to the country elevator. Despite surance that there will be no ceiling advances between now and ne 30, 1947, there are many who believe that possible Washington tion might stimulate prices at least temporarily. There are others o believe that even though it is the present intention to hold iling prices, before the crop year has run its course, incentive yments of one kind or another will have to be resorted to in order attract more supplies from the country. While no doubt the more gent need of the mills will be satisfied when the new harvest is in ll swing, nevertheless, it is impossible to predict at this moment ether there will be a steady supply throughout the crop year at the esent level of prices. With the need for assistance to famine untries, and the necessity of furnishing our own normal requirements, is highly desirable that grains should move into normal trade chan- ls as quickly as possible.

While this letter is being written reports from Washington seem indicate that the Senate is expecting to vote sometime during the y on the amendment to the OPA Bill sponsored by Senator Thomas, of lahoma, Chairman, of the Senate Agricultural Committee, which would iminate control in virtually all farm and food products and many her items.

Primary receipts today were 2,091,000 bu compared with 2,933,000 last week and 978,000 bu comparable day last year. Kansas City ocks show an increase of 87,000 bu; we have no report as yet from nneapolis.

Shortly after midday, announcement was made from the floor of the change that the Directors of the Chicago Board of Trade, acting un- r Emergency Rule #251, had declared all trading should cease in all eat futures; as well as in July and September corn; July and Septem- r barley; and all months of rye. The settlement price of these con- acts will be made on basis of the last market quotations. Trading to continue in January and March corn; November, December, and March rley; and all months of oats. With the government, at least as far the Southwest is concerned, demanding that elevators in the primary rkets offer all their surplus inventory each Monday to the CCC, there ems to be no chance of accumulating any wheat for delivery purposes. sh corn remains extremely tight, with black markets running rampant d bartering again the order of the day.

UHLMANN GRAIN CO.

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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 June 14, 1946.

The grain trade has been going through some very trying periods. ll of us have known for many months that dealing with unfavorable conomic conditions for any food product by means of controlled prices reates either a surplus or a shortage for the simple reason that it ails to correct the fundamental difficulty. It only alters the form f expression of that difficulty from what appears as a price problem, o one that appears as a quantity problem. In other words, the quanity is either too large or too small for the market to absorb at the ontrolled price. The only basically sound solution is to attack the ause instead of the surface symptom of price. The use of price conrol as a means of treatment is comparable to changing the scale of he thermometer as a means of treating the patient's fever. On the ther hand, when the free market is allowed to do the job, all conumers and all producers are thereby given an equal right to the conomic vote. However, when it is displaced they are disfranchised nd the power of decision is vested in one person, or in a committee f persons, whose judgment oft times is bound to differ from that of he people.

The closing of all active futures of wheat and rye as far as e can tell met with public approval, for the reason that the Board f Trade had only one thing in mind: namely, the protection and the elfare of the public. Before coming to a definite decision we beleve the Directors of this Exchange had attempted to get a directive rom Washington to follow the suggestion and recommendation of the hree agencies which had maintained that no windfall profits should acrue to long operators. We were of the opinion that such a directive ight be issued, as it was by the Secretary of Agriculture on May 18, 941, when the Low Countries were invaded, and when all of the grain utures markets were requested by Mr. Wallace to prohibit trading ntil further notice, at prices below those that prevailed at the close f the market on that date. Such a ruling met with prompt action, nd all contract markets on which there was trading in grain futures mmediately complied with the request for the establishment of a temorary minimum price. This action prevented general demoralization of he price structure from the current panic conditions. After this rogram had been in effect approximately four weeks, the pegged prices ere discontinued on June 14th of that year. We had a very different ituation this time, and the raising of ceiling prices for corn, wheat, nd other cereals with the tremendous open interest meant millions of ollars to those who were operating in our markets. Some hedgers by irtue of the fact that they had cash grain sold were long futures; thers who were carrying stocks of wheat and who at the insistence of he government supplied flour were short hedges which they could not over. It was obvious from the start that it would be impossible to atisfy such divergent elements in the trade. We mention all his to show what problems had to be faced during the past month. At e moment it looks as though any surplus wheat carried by elevators n the winter wheat States not sold promptly will have to be turned ver to the Commodity Credit Corporation. Thus, there is no chance to uild up free reserves for delivery purposes. It is just as serious a ituation in corn, because of black markets. We are told that the orn refinery industry is threatened with complete suspension within he next two or three weeks because of the shortage of corn. Repreentatives of the industry are meeting with government officials in ashington in an effort to get relief. So far they have not been uccessful. It is hoped that in wheat, some of the mills now closed ill be able to reopen, but it depends on their ability to buy grain rom producers.

Statistics did not count for much. The primary movement was lightly less than last year, but we believe that with the possibility f 90 million bu for the Oklahoma wheat crop, and good yields in other outhwestern States that there should finally be enough grain for all urposes unless, of course, the bulk of it goes into storage rather han on the market.

Some buying in oats carried all futures to the maximum limit ermitted, but we believe trade on the whole was rather light.

UHLMANN GRAIN CO.

TELEPHONE HARRISON 6942

141 W. JACKSON BLVD.

The grain trade has been going through some very trying period [illegible] us have known for many months that dealing with unfavorable [illegible] conditions for any food product by means of controlled prices [illegible] either a surplus or a shortage for the simple reason that it [illegible] to correct the fundamental difficulty. It only alters the [illegible] [illegible] of that difficulty from what appears as a price [illegible] that appears as a quantity problem. In other words, [illegible] [illegible] either too large or too small for the market [illegible] [illegible] price. The only basically sound sol[illegible] [illegible] instead of the surface symptom of price. [illegible] [illegible] a means of treatment is comparable to [illegible] [illegible] thermometer as a means of treating the patient's fever. On the [illegible], when the free market is allowed to do the job, all con[illegible] and all producers are thereby given an equal right to the [illegible] vote. However, when it is displaced they are disfranchised [illegible] the power of decision is vested in one person, or in a [illegible] [illegible], whose judgment must then be [illegible] [illegible]

[illegible]

[illegible] will not often [illegible], for the reason that the [illegible] [illegible] only controlled [illegible] [illegible] and [illegible] [illegible] the public. [illegible] [illegible] decision [illegible] [illegible]
[illegible]
Washington to [illegible]
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[illegible] price. [illegible]
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[illegible] the [illegible] prices
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[illegible] this time, [illegible] of selling [illegible]
[illegible] certain [illegible]
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[illegible] of
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[illegible] will have to be [illegible]
[illegible], there is no [illegible]
[illegible]. It is [illegible] as serious a
[illegible]

[illegible]
[illegible] relief. [illegible]
in wheat, some of the mills are closed
depends on their ability to buy [illegible]

[illegible] the possibility
[illegible]
[illegible] all

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 June 17, 1946.

From authorities such as the U.N. and our State Department, as ell as the Department of Agriculture, there are reports of the con-inued world shortage of food running through the 1946-47 crop year. arryovers in European countries will be down to the minimum, and the robable crop outturn this year, although substantially over 1945, ill still be only 80 to 85% of the prewar average. In addition, eats and fat supplies are also quite short.

On top of all the European food troubles, the Orient also looks o this Hemisphere for large food imports. We cannot supply their taple food --rice-- in any quantity, so grains will be used in place. roomhall is the authority from whom we learn that Europe will need 50 million bu of wheat, which he believes could easily be supplied y the United States and Canada, but the trouble is the Far East will lso need to import 350 million bu wheat or coarse grains, and in ddition the Latin American countries and Mexico, besides India, will ave to be taken care of: All in all import requirements are likely o reach 1,100 million bu, some of which may be supplied in the form f coarse grains. Of this total amount he thinks that the United States nd Canada may furnish 500 million bu, and during the first six or even months of 1946-47, 195 million bu could come from the Southern emisphere, and the balance would have to be found in Russian and the alkan areas, or in the shipment of coarse grains in place of wheat.

As compared with what might be called "normal," we are ship-ing large amounts of concentrated foods. We are allocating one illion pounds of fats and oils, and 1.6 billion pounds of meat for xport, while at the same time our imports of fats and oils, which ormally run about 2 billion pounds, are expected to be only about 0% as large. Our exports would be about double pre-war years and sually our exports of meat are only a negligible amount. Considered ogether these items would account for probably 1/2 billion bu corn, r the equivalent in feed grains, as it takes about 7 1/2 pounds to roduce one pound of meat, live weight. This fact is probably not ully appreciated, because that is where we fell down the past sea-on. Instead of OPA quickly changing feed ratios, when it became nown we had to supply vast quantities of grain to Europe, they con-inued pretty well the whole season on the wartime basis. Further avings could now be made if reductions in meat buying were offset y increased grain purchases. It is very evident that if this 7 1/2 o 1 basis were continually kept in mind, it would be seen that our ood supplies would go a great deal further in supplying relief broad.

Every cloud has a silver lining, and this is showing up at resent in the better-than-normal crop prospects with increased creages in the important shipping countries. Wheat in our country romises to be a big crop, and in Canada, conditions are satisfactory n a large acreage. Argentina and Australia are expanding their areas f cultivation under fine conditions. Our oats continue to develop n the best manner and corn has the most satisfactory start in years. rices are high enough to bring good returns to producers; so six onths hence the food outlook may have eased considerably.

The wheat visible supply increased slightly over 3 1/2 mil-ion bu, made up partly of old crop CCC, and new crop, wheat. The atter seems to be mostly going to store, with sales being withheld t least until disposition of OPA Bill is known.

Primary receipts were 1,546,000 bu as compared with almost a ike amount last week and 1,754,000 bu last year.

Trade was probably the lowest ever, as only two months in ats traded, with nothing in corn orbarley.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 June 18, 1946

Negotiations are under way between the United Kingdom and Canada, which may have far-reaching effects as to the future exports of wheat from the United States. A trade agreement is under consideration whereby the United Kingdom would guarantee a price to the Canadian producers of approximately $1.55, for a three-year period, for a quantity of wheat estimated at around 200 million bu per annum. Prior to the war normal exports to Europe, including Great Britain, averaged about 450 million bu per year, of which the United Kingdom used about half. In other words, should this agreement be entered into, it would close the doors of the United States on approximately 50% of normal European imports. While it would benefit the Canadian producers by assuring them of a stabilized market, it would react greatly to the detriment of this country. If we understand the situation correctly, we also believe that Great Britain is at present contacting Argentina, with the apparent idea that the United Kingdom will also attempt to dispose of wheat from Canada and the Argentine to other European markets. Such action on part of Great Britain could lead to a rather serious political breach between that country and the United States, and would be quite contrary to our State Department's idea of expansion of world trade, and might further lead to opposition to the proposed loan to England. Apparently the experiences of the pre-war era are not to be heeded, when international trade was thoroughly disrupted through subsidies, international pacts, and tariff barriers. We have always maintained that freer international exchange of goods is the only way to world peace.

The Department of Agriculture has recently released an article in which they estimate that the per capita consumption of food in this country will continue at a rate higher than pre-war levels, but on the other hand they are forecasting a material reduction in supplies of meats, poultry, and eggs. However, in our judgment this will depend on the final outcome of the pending legislation affecting OPA extension. Time is running short for the new bill, which must be passed prior to the last day of this month, when OPA will automatically expire. Should by any chance meats and poultry be released from price control, as suggested by the Senate bill, and ceilings maintained on grains, it could lead to an unprecedented amount of feeding, and place the entire grain situation in a rather untenable position, with our present desire to export 250 million bu wheat or flour for famine relief.

Rains have been more or less general the past twenty-four hours over portions of South Dakota, Nebraska, and all Central States, with rainfall particularly heavy in the corn belt area. The writer just returned from a trip to Kansas City where he met many grain men from the southwest. They were all most enthusiastic about prospects in Oklahoma and Kansas, and estimates for the first-named State are running around 90 million bu, while forecasts from Kansas are running between 170 to 190 million bu, and even higher. The weather was quite hot throughout the Southwest but in the opinion of most grain men, it is good forcing weather and no damage should result.

Primary receipts of wheat today totaled 2,100,000 bu compared with 1,900,000 bu last week and 3,105,000 bu last year. So far this week stocks at Kansas City and Minneapolis show a net increase of 3,000 bu.

Receipts in the Southwest are beginning to pick up perceptibly, with Kansas City, Fort Worth, Salina, Wichita, Hutchinson, Enid, and Amarillo reporting 1,335 cars as against 552 cars on same day a year ago.

In view of the famine abroad, and the scarcity of feed grains at home, Secretary of Agriculture Anderson announced that in order to record more closely and more frequently the effect of weather on production of wheat and corn, his Department will issue three special mid-month crop reports during the summer. The first one will be released on June 20th, as of conditions on June 15th; the second report will be July 22nd, as of July 15th, and the third on August 21st as of the middle of August.

There was nothing to report as far as markets are concerned, and very little interest is being displayed in oats at the moment.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 June 19, 1946.

It is certainly axiomatic that news makes a market, but it may lso be said that sometimes markets make the news. In fact, when there s activity and fluctuations are taking place, traders naturally try o keep themselves informed as to current statistics and conditions, ut at the present time with almost everything at the ceiling, there eems to be the greatest indifference, and for that reason we have bout concluded that we shall issue a market letter only about three imes a week until there is some change in the situation. We have al- ays prided ourselves in that we have attempted to get reliable in- ormation for our readers, but right at the moment we believe that e shall be able to keep our letters more interesting if we write hem less frequently and wait until we have valuable material to dis- eminate.

At the moment weather seems to be entirely satisfactory, ex- ept possibly for a few complaints in the Northwest, where certain reas were not visited by moisture. On the other hand, there has been ather scattered precipitation in the Southwest accompanied by lower emperatures, and we are getting extremely optimistic reports from ansas and Oklahoma, with the result that the mid-monthly crop resume hat will be published by the government tomorrow may show increases or the winter wheat yields. Grain crop conditions over most of lberta and Saskatchewan have also improved the early part of June, s a result of good rains received early in the month. Rainfall was ess general in Manitoba, which is the smallest province from point f view of sown acreage, and possibly some areas were deteriorating, lthough we believe that there has been relief during the past week.

From all indications our domestic wheat crop should turn out to e another billion-bu yield, despite the fact that spring wheat crops ay show some deterioration from the present level. We believe that ny setbacks will probably be more than offset by the improvement in he Southwest, and thus the farmer faces another prosperous year, with irtually all grains held at ceiling levels. It is interesting to ote that the total farm mortgage debt on January 1st of this year was nly ab out $5 billion, which is the lowest level of indebtedness ince 1915, and is less than half the peak figure of $10.7 billion eached in 1923. Since the beginning of World War 11, farm mortgages ave decreased by about $1 1/2 billion, or 23%, and this reduction is n sharp contrast with developments during and after World War 1, hen the trend was in the opposite direction, and when indebtedness ncreased 43% from 1915 to 1919, despite high farm prices. Of course, e have had unusually good crops not only for wheat, but also for orn and oats during the past five years, and while weather has had a ood deal to do with it, we believe that more scientific methods of arming, including better seed, have gone a long way toward improving he farmers' status.

The weekly weather and crop report speaks of good corn stands xcept in some sections of Ohio and the lower Mississippi Valley, where ue to previous wet weather some deterioration had taken place. How- ver, the rather general warmth until recently had been beneficial, nd we know from our own experience that Illinois and Iowa are find- g an optimistic outlook for this cereal.

There is nothing particularly new on developments in Washington ith respect to OPA, except that advisers close to the President are rging him to accept whatever price control extension is passed ather than to veto such a measure, which might end OPA legilation al- ogether.

Primary receipts of wheat were only about 1 1/4 million bu, hich was about half the amount received last week, and a little less han last year. It may take some time yet before the movement gets ully under way. Kansas City and Minneapolis stocks so far this week ow an increase of 103,000 bu.

There was a little trading in the various oat futures; in fact, he November delivery on small selling broke 1/2¢ a bu, but recovered uickly when new buying orders appeared. A new high was established or Winnipeg July rye --that market reaching $3.00 a bu; it is cer- ainly the highest price in many years, and possibly the highest in istory. Otherwise, there was not much activity. We believe the olume of trade was small.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 June 21, 1946

The mid-monthly government report was issued yesterday afternoon recasting a total wheat crop of 1,033 million bu. Winter wheat elds were increased to 809 million bu, and most of the private ad-ces suggesting improvement were borne out. For example, Kansas ould raise nearly 200 million bu, Oklahoma 87 million bu, and even xas has been increased to 46 million bu, with a possibility that braska will have a harvest in excess of 77 million bu. These yields e practically assured but there is still an element of risk in the rthwest, where the crop is estimated now at only 224 million bu, though there has been some improvement since the government figures re compiled, and it is still to be hoped that further rains may give higher yields than are now in prospect. From what Broomhall tells , the Continental crop news is in the main favorable. France, ain, Portugal, and Greece are all expecting larger harvests this ar, and the same is true of Italy, although the outlook in the tter country is a little less promising. Russia talks of a large op but that country very often is a little too optimistic, but at ast recent rains have been beneficial. Average crops are predicted r North Africa, while Algeria is being requested to send some wheat France during June and July. In Britain, prospects are rated as od due to widespread rains that were received lately.

Despite all this, there are still some pessimistic views, and r John Boyd Orr, Director General of F. A. O., believes that a world od shortage will be experienced for at least three or four years. e people of Britain have been forewarned that it may be necessary to troduce bread rationing, and plans are being drawn up, in the event at it becomes necessary. It would be the first time that such a easure had to be resorted to, although bread has been rationed for a ng time on the Continent of Europe and elsewhere. It is rather eculiar under the stress of conditions that the new Minister of Food r Britain, Mr. Strachey, should have made this statement: "If wheat rices had been permitted to find their own level we should have famine f the most awful kind today." This reminds us of some of the arguments sed by proponents of OPA. The truth is that if prices had risen we ould not have had the vast amounts of wheat being used for animal eeding in all of the exporting countries, and we certainly would ot have had the improper price relationship between grain and meat. hus there would have been more wheat and other cereals flowing into xporting channels. Furthermore, the operations of the black market ould have been smashed long before now.

From Canada we learn that prospects for a better-than-average ield in the west are likely, although Manitoba needs rain quite badly, nd at the moment weather seems to be clearing. Authorities believe hat the crop in that province can last a week before deterioration ould set in. There have been light to moderately heavy rains over ide areas of Alberta and Saskatchewan, but there are still some reas of deficiency where immediate rains are needed. Apparently the roposed long-term wheat agreement between Canada and Great Britain as not been completed, but the arrangement for exports is under dis-ussion, with possibly 200 million bu wheat each year under considera-ion for a five-year term. As yet there is no official confirmation f these details, although a price of $1.55 a bu has been mentioned. ere at home farmers who fail to comply with the government's order to ell half the wheat delivered to elevators or warehouses for storage ay be fined as much as $10,000 and put in jail for a year. Such egimentation in our opinion is causing widespread resentment, and we ave even heard of some cases where producers are refusing to deliver heir wheat to the elevators. It would seem to us that this might have een handled more diplomatically by appealing to farmers for their holehearted cooperation.

Primary receipts of wheat were smaller than last week, and con-iderably less than last year. Kansas City and Minneapolis stocks so ar this week show a net decrease of 297,000 bu. When the visible upply is posted Monday it will compare with an increase last year of 37,000 bu.

There was a little trade in oats, and one or two deliveries sold nder the ceiling price, but recoveries came about on just moderate uying.

Italy has learned that price is a tremendous regulator, and be-ause of low values which prevailed last year insufficient supplies ere accumulated. At that time the fixed price was 750 Lire. The price o be paid to farmers for the 1946 harvest has been officially fixed at ,250 to 2,500 Lire, depending on location. These prices are for bread heat, and a premium of 300 to 600 Lire payable on all wheat delivered efore July 10th.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

MEMBERS:
CHICAGO BOARD OF TRADE
EW YORK PRODUCE EXCHANGE
NEW YORK COCOA EXCHANGE
W YORK COFFEE AND SUGAR EX.
COMMODITY EXCHANGE INC.

UHLMANN GRAIN COMPANY
TELEPHONE HARRISON 6282
141 W. JACKSON BLVD.

MEMBERS:
MINNEAPOLIS CHAMBER OF COMMERCE
WINNIPEG GRAIN EXCHANGE
DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 June 24, 1946

While at the moment OPA and ceilings are consuming the attention f the American public, it may be that the next few years will be fatel for the agricultural industry, but for a diff erent reason: namely, hat some of the wartime price supports will in all probability be iscarded. We can easily understand how widows and those with fixed icomes are fearful that if all restrictions are taken off it may ause even a higher level of prices for the time being, but we have lways found in this country that competition is the life of trade. o one industry can get more for an article than his competitor will et him receive owing to the fact that under the capitalistic system verything is very competitive. We have observed the expansion of ommerce and trade, and we have noted how mass production has come o the foreground, enabling almost everyone in the country to own utomobiles and radios without any governmental action trying to keep rices down. At times agriculture has suffered because of this competition, when sellers were more numerous than buyers. However, we did ind that under normal supply and demand conditions goods were moved nto consumptive channels without a burdensome carryover, but yet ithout a shortage. Having raised another large wheat crop this eason, estimated yields being in excess of a billion bu, we have no oubt that under normal circumstances the farmer would be a free seller, particularly at present price levels. However, many of the mills n this country are very much worried over the ability to accumulate nough wheat to take care of their requirements. We believe that this ay be attributed at least in part to the belief that OPA may be relaxed or vacated, and that farmers want to see what their product is orth in a free and open market.

At the present time, with cash wheat commanding the maximum allowed y law, nobody can really tell what wheat is worth. It is our own pinion that while prices might temporarily rise if restrictions were ithdrawn, there might be enough selling to give us good reactions, and ossibly wheat would actually fetch little more in a competitive arket than at present under more or less "blindfolded" conditions. here is a great holding tendency and some hoarding by certain interests hich ordinarily would be anxious to keep the wheels of industry moving. n a few days now we should know the outcome of legislation. If, in he Senate and House Conference Committee, meat, dairy products, and ertain other articles are taken from under the controls and such ction is sanctioned by the Congress, we believe that it will almost e necessary to have greater freedom for grains and feedstuffs, and lthough this does not necessarily mean that prices will be so much igher, at least many of the uncertainties will be removed.

In the meantime, there is a little selling of oats on the theory hat with a good-sized carryover and a big crop in prospect, present rices already represent a good, fair value to producers. There was onsiderable moisture reported in the sorghum areas of Texas and rains ere quite general in the Canadian provinces, with the exception of ome sections of Manitoba, but the latter represents a rather confined area. In our own Northwest the rains which came were just where eeded. They were not especially heavy but many points in Montana reeived anywhere from a trace to as much as .34 inch, and North Dakota lso was favored, with the same true in Minnesota and parts of South akota. The heaviest reporting station was Lemmon, South Dakota, with 84 inch rain. Temperatures ranged from 48 to 99, which shows quite a ariance. The highest thermometer readings were in Minnesota and outh Dakota.

The primary movement of wheat was a little better but still maller than a year ago. When the visible supply was posted, wheat ncreased only 201,000 bu; the total in all positions is 37 million u compared with 60 million bu on hand last year. Chicago stocks are ncreasing, but there is still only 435,000 bu in this market.

Rye stocks in Chicago amount to only 138,000 bu. There was hardly ny trade except a few scattered transactions in oats, but at Winnipeg here seems to be fair activity, and rye futures went into new high round. It seems that stocks in North America are very light, and here is no reason to expect a large Canadian crop of rye this coming eason, but in any case whatever is raised will probably be wanted y European countries in the habit of consuming this cereal in heavy uantity. On the other hand, present prices are very high.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 June 26, 1946.

While frantic efforts are being made to preserve OPA in some form, it should be generally understood that its fate was decided many months ago. The greatest single contribution to the wrecking of OPA was when the holes were driven in price ceilings by goverment-promoted wage increases. In many inflationary periods the spiral starts with higher wages, then higher costs, and again further advances in wages. It is equally clear to everyone that the danger of a swirling upsurge of prices is not over even if OPA should be continued for another year. The administrative difficulties have already become so great that one article after the other is being advanced, so that living costs have gone up and may continue to advance until we get into production. The House passing a modified bill has kept meats, dairy products, and poultry under control, but as the packers point out if the consumer spends less on his meat bills, it will be only because he can buy less in the year ahead and not because prices are going to be kept down. Too large a percentage of meat is finding its way into black markets, and the housewife is experiencing trying times to provide for the family, while the workingman can hardly obtain a ham or tongue sandwich for his lunch. The country is nearing the worst pork and lard shortage it has ever known, and the decline in pork tonnage the remainder of this year will bring an even heavier drain on beef supplies.

We have felt for a long time that the dissipation of our wheat reserves came about entirely because of improper price relationship, and the feeding to animals reduced the quantities which were available for grain export because of this distortion. If the Senate concurs with the House in sending the present modified OPA bill to the President, it will certainly be encouragement for the black-marketeer to continue his "racket." For many months past we have seen corn and wheat passing into illegitimate channels, but even a much larger illegal trade is in prospect in the months ahead.

There was very little grain news overnight, and while unquestionably the recent rains in our Northwest and in Canada have done some good, it is becoming more apparent that North Dakota, which is one of the heavy spring wheat producing States, is still in dire need of moisture, at least in some sections. Fair rains were received in the southeastern part of the State, but a good deal of North Dakota was dry until last Saturday and Sunday, with some fair showers occuring during that period. As one of our friends in Minneapolis points out, this precipitation should do a lot of good, although some permanent damage has already been sustained. The worst territory is apparently between Rugby and Minot; the latter territory does not appear as though it would produce enough grain for seed even allowing for the rains the past few days. However, the crop in the southern part of the State is in better shape, and should still make fair yields. Our same informant believes that the recent government estimate is about in line with present findings, and, therefore, we shall have to content ourselves with just a moderate crop in the Northwest.

According to the government's Foreign Crop Summary, Australia may fall short of the current season's wheat goal of 15.5 million acres due to dry conditions in certain areas. However, it is expected that considerably more than 11.5 million acres (which was the area last year) should be sown, and it is likely that about 2 1/2 million acres better than average for the past five years will be a reality, but widespread rains are urgently needed for completion of seeding and germination of crops.

Primary wheat receipts amounted to 1,716,000 bu compared with 1,241,000 bu last week, and 1,862,000 bu last year. Kansas City stocks so far this week show an increase of 333,000 bu.

The only activity here in Chicago was in oats. With fine weather prevailing and good crop reports all futures, except the July, receded from the ceiling; while the volume was not big, at least there was a disposition on part of some longs to sell. Early in the session rye prices at Winnipeg were very strong, but there was an unconfirmed rumor that trading henceforth might be for liquidation purposes only. This was responsible for some selling, and the nearby delivery declined the full permissible 5¢ per bu allowed in one day's trading.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 June 28, 1946.

Agriculture in this country has become so mechanized over a period of years that we are getting far better yields than in former times, although, of course, it must be admitted that better seed, better fertilizer, and better knowledge is all contributing to the improvement. During the war much of the machinery that the farmer had on hand was either wearing out or becoming obsolescent. In recent weeks hundreds of powered farm machines were standing idle because of an acute shortage of magnetos, but these are rapidly coming into use again. These machines have been urgently needed for harvesting of crops. For example, one load of 644 magnetos, located at Joliet, Illinois, was sold to a large machine company and quickly distributed, exclusively to farmers who owned stalled harvesting machines. There are, of course, other handicaps at the moment, such as the shortage of freight cars, and this is beginning to show up in Texas and Oklahoma; in fact, some complaints coming from Kansas, also. On the other hand, the yields everywhere seem to be turning out better than expected. If weather continues favorable, the movement in Texas should be well over within the next week or ten days. It is probable when the government report is issued on the 10th of July that the Oklahoma and Kansas yields will be considerably better than the last estimate. Some reports indicate that Kansas might raise 225 million bu or more, based on the high yields over rather wide territories.

In a few days we shall be ending another crop-year. It has been an outstanding one for many reasons. Our wheat crop was the largest in the history of the country. We likewise had big yields of corn and oats. As near as one can tell exports of wheat and flour in fifty-one weeks have amounted to about 376 million bu. Therefore, for the entire period they will be close to 400 million bu, which was the goal. A year ago our carry-over reserve was 280 million bu, and in spite of the big yields it looks as though we have reduced our supplies by about 200 million bu even though we started at the beginning of the season with a total of 1,404 million bu wheat plus a small quantity of imports. What the disappearance will be in the season ahead remains to be seen. We have no quarrel with the government estimates save the amount which they allow for feeding purposes tentatively set at 150 million bu. The latter, in our opinion, depends largely on the outcome of the corn crop. It is possible that the 450 million bu for domestic consumption can be kept at that low level, with certain restrictions, although in the twelve-month period just passed, we used about 540 million bu for the same purpose.

There are some comments that the requirements from Europe may not be as heavy as earlier anticipated. For example, harvesting of wheat in Italy is under way under favorable conditions, and the wheat crop should exceed 220 million bu compared with last year's harvest of only 155 million bu. Nevertheless, imports of some nature will have to be made. Britain has adopted a system of bread and flour rationing in order to bring about a saving of 10 to 15% in consumption. Optimism continues in Spain with respect to the coming harvest. This refers not only to grain crops, which appear excellent, but also fruits and olives, which furnish valuable oil. Legumes, potatoes, and other crops are also doing well. Thus, Europe may not experience the same disaster of last summer.

Primary receipts of wheat were 1,882,000 bu, somewhat more than last week, but just a shade less than last year. Kansas City and Minneapolis stocks so far this week show an increase of nearly one million bu. When the visible supply is posted Monday it will compare with an increase a year ago of 989,000 bu.

Oats were under some pressure, with bookings from the country quite heavy. While cash markets are still strong, futures have a way of discounting conditions ahead of time. It is felt that with showers forecast for the Central States and for the Northwest that this is ideal for both corn and oats. Nice rains in Manitoba have given Canada practically complete relief. The Modern Miller claims that grain men and wheat pools look for 500 million bu for the coming crop, although they claim that 27 million acres were seeded. This figure is somewhat higher than ones which we have seen. Canadian wheat harvest will start in the southern districts of Manitoba and Saskatchewan the latter part of August.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

[illegible]

CHICAGO, June 28, 1943.

Agriculture in this country has become so mechanized [illegible] of years that we are getting [illegible] better yields than in former [illegible], although, of course, it must be admitted that better seed, bet- [illegible] fertilizer, and better knowledge in all cultivation of the [illegible]. During the war much of the machinery that the farmer [illegible] was either wearing out or becoming obsolescent. [illegible] hundreds of powered farm machines were [illegible] [illegible] of [illegible], but there are [illegible]. These machines have [illegible] for harvesting [illegible] example, one load of [illegible], located at Joliet, Illinois, [illegible] a large machine company and quickly [illegible], [illegible] farmers who owned [illegible] machines. [illegible], other [illegible] at the moment, such as the shortage of [illegible], and this [illegible] in Texas and [illegible]; [illegible], some complaints coming from Kansas, etc. On the other hand, yields everywhere seem to be turning out [illegible] [illegible] weather continues favorable, the [illegible] in Texas should be well [illegible] within the next week or two. [illegible] when the [illegible] report is issued on the 10th of July that the [illegible] will be considerably better than the [illegible]. [illegible] indicate that [illegible] million bu. [illegible] high yields ever [illegible].

In a few days we shall be ending [illegible] crop-year. [illegible] an outstanding one [illegible]. [illegible] in the history of the country. [illegible] [illegible]. As near as can be [illegible] of wheat [illegible] [illegible]-one weeks have amounted to about [illegible] million bu. [illegible] the entire period [illegible] million bu. [illegible]. A year ago our carry-over [illegible] was 280 million bu. [illegible] of the big yields it looks as though we have reduced [illegible] by about [illegible] million [illegible] the [illegible] [illegible] season with a total of 1,[illegible] million bu. [illegible] [illegible] of imports. [illegible] [illegible] to be [illegible] [illegible] [illegible] [illegible] for feeding purposes [illegible] [illegible] at 150 million bu. The latter, in our opinion, depends [illegible] on the outcome of the corn crop. It is possible that [illegible] [illegible] for domestic consumption [illegible] at that low level, [illegible] certain [illegible], although in the twelve-month period [illegible] [illegible], we used about [illegible] million bu. for the same purpose.

[illegible]

[illegible] in Italy is [illegible] favorable conditions, and the wheat [illegible] should exceed 250 million as compared with [illegible] [illegible] [illegible]. Nevertheless, [illegible] [illegible] [illegible] in order to bring about a ration of [illegible] to [illegible] in consumption. [illegible] [illegible] not only to [illegible] crops, which appear excellent, but also [illegible] and olives, which furnish valuable [illegible]. [illegible], [illegible] other crops are also doing well. [illegible], Europe may not expect [illegible] [illegible] disaster of last summer.

[illegible] receipts of wheat were 1,[illegible] bu. [illegible] [illegible]

[illegible] for this week show an increase of [illegible] [illegible] visible supply [illegible] Monday is still [illegible] a year ago of [illegible] bu.

[illegible] some pressure, [illegible] bookings from the country [illegible] markets are still strong [illegible] [illegible] ahead of time. It is [illegible] [illegible] [illegible] [illegible] rains in [illegible] The [illegible] [illegible] million bu. [illegible] [illegible] were [illegible]. This [illegible] we have seen. (Continued)

[illegible]

DAILY MARKET LETTER

MEMBERS:
CHICAGO BOARD OF TRADE
NEW YORK PRODUCE EXCHANGE
NEW YORK COCOA EXCHANGE
NEW YORK COFFEE AND SUGAR EX.
COMMODITY EXCHANGE INC.

UHLMANN GRAIN COMPANY
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141 W. JACKSON BLVD.

MEMBERS:
MINNEAPOLIS CHAMBER OF COMMERCE
WINNIPEG GRAIN EXCHANGE
DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 July 1, 1946

Mr. Truman's veto of the modified CPA Bill came somewhat unexpectedly. In some quarters it was considered as courageous action, but elsewhere it was attacked on the theory that it would be almost impossible to resurrect even a temporary measure that would affect reasonable transition from price control to our free enterprise system. We are still mindful of the fact that before our entry into the war, when Mr. Leon Henderson headed an agency known as the Office of Price Management, there was considerable opposition to the word "management"; in fact, it was so repugnant to the American people that a few months later the name was changed to the Office of Price Administration. Only in name did this affect general policy. However, during the war the people were united in trying to prevent undue price advances, but the moment hostilities ended we found a growing disrespect for law and order, and the abuses that have arisen have caused a tremendous hardship on conscientious and honest interests trying to uphold the law.

The hardship cases are too numerous to mention in a market letter of this kind, but it is safe to say that we had complete disrepute for the laws of the nation. Public confidence was undermined; all kinds of subterfuges were invoked; in some cases bonus money was slipped into an envelope and thrown under the table. Elsewhere a certain grade of wheat was bought but a different one delivered than had been contracted for. In other instances, buyers would bid for 500 bu corn in a crib when they knew that there was only 400 bu on hand. Various types of barter schemes were resorted to. But this was not all. The propaganda became so extensive, and in fact was engineered by these agencies, that it had a tremendous influence even on the youth of our country. 44% of America's "teen-agers," in a recent opinion poll of all the high school pupils in one of our largest cities felt and believed that the government should control production and distribution. The question was asked of them, "Do you believe your standard of living would be highest with all production and distribution of goods under control of private management or of government?" To this question 44% answered, "Government." They apparently were unmindful of the fact that this country's system of private enterprise is largely responsible for our high standard of living and our strength as a nation. Unfortunately, ignorant, misinformed, and subversive sources are hard at work right now undermining the system which makes small business and large business possible. It is no wonder, therefore, that the House and Senate were insistent on passing only modified legislation because they wanted to put an end to corruption and black markets, and to try to re-establish our trade on a high ethical basis.

Primary receipts of wheat amounted to 4,036,000 bu compared with 2,539,000 bu last week and 3,430,000 bu last year. When the visible supply was posted, there was an increase of 3 1/4 million bu, with total in all positions more than 40 million bu vs. 61 1/4 million bu last year. Chicago wheat stocks are still small, amounting to only 433,000 bu, and our rye stocks are down to 121,000 bu.

Everyone was prepared for some excitement due to the fact that OPA had been terminated, but yet the markets were quite orderly, and as far as futures were concerned, there was trading only in oats, with prices from 3 to 5¢ per bu higher, probably in sympathy with higher prices for cash. We did not hear of many cash transactions in wheat, and we are told that the millers are not offering flour in any quantity because of the confusion, and, of course, everyone wants to know how whether some temporary legislation may be passed. Buyers in corn were anxious to get supplies, and prices were over the $2 mark, but considering that a good deal of corn had previously been bought in black markets at terrific prices, it is at least a relief to know that the trade is now going through legitimate hands.

To many people the return of a bona-fide market is a matter of tremendous satisfaction. The value of a continuous market to a person who has something to sell is difficult to evaluate. The system developed by the Chicago Board of Trade over a period of nearly one hundred years cannot be duplicated by any sort of artificial methods of marketing or distribution. In other words, almost since our inception, in any hour of any business day, in war or in peace, in prosperity or in panic, grain could be sold on the Chicago Board of Trade at a market value which was open and known to all men. It is true that OPA during a war period did accomplish good, but the offsets in continuing this organization during peacetime, which stimulated black markets and corruption, were in our opinion far greater than the benefits which had been attempted.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 July 2, 1946

The newspapers, as well as the commentators, were discussing results of OPA termination, and, of course, this news made headlines for the reason that everyone is watching closely the future of price trends. Naturally, after artificial prices had been in effect for so long a period, there were bound to be some reactions, and a good many people on the first day of freedom were trying to get articles that heretofore had been very scarceso that price was not too much of a deterrent. However, it is hardly fair to take into account only what happened the first day, because the country has hardly had a chance, insofar as agricultural commodities are concerned, to take advantage of the increases. For example, we understood this morning that trainloads of cattle were destined to the various packing houses, and unquestionably the price factor is going to be a tremendous element in moving some of these commodities from the country. Therefore, in order to give the thing a full trial, it may take another week or two before any definite determination can be made.

Those who listened to Mr. Kaltenborn over the radio last night were very much impressed with the saneness of his arguments, and recognize that in all of our national history with the exception of four years, we were doing business without OPA ceilings, and still prices were generally fair, particularly when competitive elements came into play. Naturally, when there was a short crop prices ruled higher than in years of plenty; and likewise, we have had agricultural depressions as the result of overproduction or lack of demand. All factors affecting either supply of or demand for grains are quickly noted, and made public in the futures market. For example, a strike of the Boston police force is reported on the gossip ticker and a depression is cast over the demand for wheat.

We have a large weather map on the Exchange floor, furnished by the U. S. Department of Agriculture, showing each morning the country's weather. This includes wind direction, precipitation, clear or cloudy, and barometric pressure. It is supplemented by large charts giving precipitation for many shipping points in each grain-producing State. These factors likewise are reflected in the price, and oft-times are discounted long ahead of the actual movement of the crop. The trading floor of our Exchange is provided with means of securing market information rapidly and accurately, and dissemminating the market information to all interested parties. There are hundreds of telephones and telegraph instruments, and large blackboards displaying information that is of interest to the trade. The Exchange itself furnishes only a place for business and has no interest in prices. These are made by actual supply and demand factors. Banks, railroads, and steamship companies hold memberships in order that they can give better attention to the financing and transportation of grain. Great flour mills, large processors, and breakfast food manufacturers are mostly represented in order to take care of their buying needs. Thus, many inequities can be corrected for the simple reason that the world supply of grain is not produced when needed, where needed, or in the quantity needed. The fundamental problem of any market is to move the whole crop into consumption without a loss, without a shortage, and without a burdensome carryover; price is the instrument through which the market does this. If a market is free, open, and competitive it makes the automatic adjustment of production to consumption.

Late last night the House by a large majority passed a stop-gap bill which would continue price controls for about three weeks, but it is doubtful whether the Senate will follow suit. Meanwhile, weather is almost perfect; a good part of the Northwest has received from one to two inches of rain during the past week, and, of course, this has brought about vast improvement. There are a few districts that were skipped, but on the whole moisture as usual was very beneficial. It is probable that more rains will be quite general again starting tomorrow night, and thus it looks like another big year for agriculture.

Corn bookings were over a million bu, and the oats market was very orderly, with even the July future being traded in, showing that at a price the wheels of commerce can be put back into operation. Barley, after advancing 5¢ per bu, reacted, but trading is still light and there seems to be only a minimum of interest. Corn futures were strong, but this may change later on if there is any reaction in cash prices.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 July 3, 1946.

It may appear somewhat unusual to relate one of the children's fables in a market letter, but we feel that the story of the wind and the sun competing against one another to take off the child's overcoat is apropos of what is happening in our economic life today. According to this fiction, the wind blew and blew trying to tear the coat from the child's back, but the greater the gust the tighter the child clung to her coat. Finally the wind gave it up as a hopeless job. Then came the sun with its powerful rays, and shone upon the child until the heat became so intense that the child quietly removed her coat to get relief. The analogy to the raging winds of Price Control trying to get producers to sell their wares seems to express a similar thought to that of the fable. The more they blew the tighter the farmer held to his corn and to his wheat. Hogs were kept from markets, and in spite of the fact that we are the most resourceful country on the face of the earth, there were times when the housewife, rising at seven o'clock in the morning, was unable to get meat for her family. However, the termination of price control has brought sunshine to many phases of our normal life. Hogs and cattle have been streaming into markets because the price was right, and it attracted the marketing of commodities hitherto undisturbed by strong winds. Corn, which has been moving almost entirely through black markets, came into normal channels of trade yesterday, with a million bu booked. We presume that these stories could be told of many other commodities and articles similarly affected.

One of the private experts gave his views on the condition and yield of various grains, and there was a marked improvement in winter wheat, the estimate calling for 831 million bu, and a total yield of 1,072 million bu including spring wheat. The July 1st estimate of oats was in excess of 1 1/2 billion bu, which had been expected. In corn no figure is mentioned for the final outcome, but the condition is placed at 87% of normal compared with only 69% a year ago and an average condition of 78%. Thus, it appears that if there is no adverse weather during July we may harvest the biggest crop in history, and it looks very much as though 3 1/2 billion bu is likely based on the present outlook, and on 96 million acres.

All this had a somewhat bearish influence on grains, and when at mid-session egg prices broke the limit permitted for one day's trading, there was pressure on the oat market and general liquidation. The only market that has futures trading in wheat is at Minneapolis, and apparently that market after three days' rise from the previous ceiling level encountered some selling, and a more liquid condition is now reported. Nobody can tell for sure what the Senate will do on a revised price control bill but there seems to be some softening on part of the opposition, and there is talk that a compromisemeasure may be drawn. There is no immediate prospect that a rent control bill would be divorced from the general price control bill, although the former seems to be more pressing and would undoubtedly encounter least antagonism. Harvesting of grain in Europe is now under way in many southern countries, and with the exception of the southwest area of the Continent, where there has been too much rain, progress is reported good and yields satisfactory.

Primary receipts of wheat amounted to 1,768,000 bu, about the same as last week; a year ago was a holiday. Kansas City and Minneapolis stocks so far this week show a net increase of 720,000 bu.

Markets were reasonably active but trade again was confined mostly to oats. Some believe that if corn futures advance another 5 to 10¢ it will about be in line with hog prices. As it is, with cash corn selling as high as $2.25 per bu, it is unprofitable to feed it to hogs bringing about $17, but, here again, is a good example of how proper price relationship corrects many of the evils which otherwise become chronic. As we see it prices are not so much up as they are out in the open. We do not know how anyone can object to that except those interested in maintaining black markets.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

MEMBERS:
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CHICAGO MERCANTILE EX.

CHICAGO, 4 July 5, 1946.

Those who went out into the country over the Fourth of July holiday came back with glowing reports on the progress of corn and oats. As for winter wheat that crop is about made, and we presume that 825 to 850 million bu is practically assured. In the Northwest there have been a few areas where irreparable damage was claimed, but on the whole it looks very much as though prospects were fully as good as when the last government estimate was made, and with the scattered moisture over the holiday, we feel that the final results might even be somewhat better. Canada reported rains in Southern Alberta, but on the whole there seem to be clearing skies in prospect, but yet it looks like a big year for agriculture. Even with the possibility that OPA ceilings may be re-enacted, the farmer should still do extremely well. In fact, with the war not yet declared over and high loans for another two years, he certainly is in an enviable position, as generally when crops are big he has to make some sacrifice, insofar as the price structure is concerned.

Coming now to Europe, the outlook is still for a total food output on the Continent of 88 to 90% of pre-war, at least it is so estimated in terms of food energy. The production last year was only around 80%, or somewhat less compared with the five years prior to hostilities. When estimates of this kind are used, allowance is made for a much higher than normal bread grain extraction, also for the admixture of grains formerly not used for food and other similar shifts in utilization that have occurred. However, it all plays a part for the amounts of grain that will be needed from the surplus countries, so that with these shifts, the diet of many Europeans may be less to their liking, but at least the starvation which occurred during the past year will probably now be prevented. There is still a great shortage of fertilizers, although great relief occurred during the past few months. So it may not take so long for a recovery this time, while after World War 1 it was nearly 1924 before more or less normal conditions set in. For example, the Low Countries will have crop acreages above pre-war, although other countries are laboring under the well-known difficulties which we have expressed already in previous market letters.

There was naturally a good deal of comment over the week-end on the possible extension of the OPA law. It seems too bad that with the exception of rents and other special cases, the transition period could not have been extended for a somewhat longer period. The adjustments are coming about very rapidly, and while in many instances consumer prices will have to go up, we feel certain that even under some modified price control bill, advances are also bound to take place. But surely it is far better to have a return to the free enterprise system than to continue regulations where restrictions are bound to cause great sacrifice. The experience of the past week in bringing larger quantities of cattle, hogs, and corn to market are indicative of the fact that price is a tremendous factor, and a coordinator in our normal economic life. Surely it is better to have prices out in the open even though they may be a trifle higher than to encourage and foster black markets, such as was the case before the demise of OPA, and it gives us something to worry about if we get a return to those abnormal conditions.

Primary receipts of wheat were very large amounting to 5,145,000 bu; this compared with 1,882,000 bu last week, and 3,019,000 bu last year. Minneapolis stocks decreased 40,000 bu, but we figure that Kansas City must be increasing heavily. There were 1,750 cars of wheat in that market today, although a good percentage is going on storage .

The trade in general is becoming very cautious; fearing a rollback in prices in the event a price control law is restored, buyers are naturally taking only what they need, and what they think can be shipped in the next few days. As a result there was only moderate activity.

First prices in oats were weaker, but there is no pressure yet from the country; when shorts covered recoveries took place, and the close was not far changed from that of the previous session. All reports from Canada described the wheat situation as much more favorable; moisture conditions in all three provinces during the past week have brought about improvement and the plant has attained a height considerably better than for the corresponding period last year.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 July 8, 1946.

The radio commentators have been very busy during the past week calling attention to the advance in price for various commodities since the demise of OPA. While many of these speakers have a large following, it is fortunate that few of them are economists and, therefore, when they call attention only to the advances they neglect to give an explanation, which should accompany a description of what has happened. It reminds us very much of a major operation, where the patient is bound to have a fever for several dsys, but this is Nature's way of fighting the infection. We do not regard the price advance thus far as either serious or dangerous to an inflation. It was certainly obvious that when subsidies were removed the consumer would have to pay a higher price for the goods he bought, but at least he knows at the time of purchase whether he should buy more or less of that commodity, and the price is not concealed so that the taxpayer has to make up the difference.

A good many articles are already responding to the change in conditions. Those who trave led in the country saw truckload after truckload of cattle and hogs coming to the packing centers; more, of course, will come by train if empties are available. Thus the immediate advance in hogs and in other items should be regarded as healthy rather than the reverse. As soon as the supply catches up with the demand, a natural decline in price will set in and the excitement will be over. Moreover, if the intermediate price becomes too high, the consumer will curtail his purchases and thus hasten the process. We pointed out in our gossip on Saturday that every scientist recognizes that it is impossible to remove a knot from a taut line. This is true even when markets get into a knot and there must be of necessity a certain amount of slack to undo the knot.

It is very interesting to note that for many, many weeks July oats were bid at 88¢, which was the old OPA ceiling. Possibly if the President had signed the compromise OPA Bill that situation might still have continued, but as it was the advance in price to 98¢ corrected the technicality, and there was enough slack so that finally we had the reaction and prices now are back again to a more normal basis, and lower thanthe former ceiling level. Why should anybody apologize for the terms "capitalism" and "private enterprise?" This is not something to be talked down or whispered down as being of the regrettable past. They are as much a part of America as the Constitution and the Bill of Rights. We should be proud of our accomplishments in the field of competition and production, which has helped to make this country great.

When our market opened this morning, it was influenced by spotted but welcome rains in the Northwest, and also some reports of precipitation Southwest and in the southern sections of the corn belt. More will probably occur in the central and southern parts of the Central States, which, together with present temperatures is beneficial for corn.

Crop conditions in Europe are certainly better than last year. As of June 1st France is complaining only of excessive moisture, but the outlook is highly satisfactory, while in Russia no quantitative forecast is possible yet, but barring unfavorable developments during the balance of the season, more grain of better quality should be available than last year. Total production, however, is not likely to reach the prewar volume.

Wheat receipts were large, and the primary movement amounted to 4,768,000 bu compared with 4,036,000 bu last week, and 2,397,000 bu last year. The visible supply increased 3 1/4 million bu; stocks are 43 1/2 million bu against 63 1/2 million a year ago. Chicago wheat stocks are still small; totaling only 385,000 bu. Our total rye stocks are down to 119,000 bu.

With crop prospects so favorable, and with harvesting of oats getting under way in Illinois, Iowa, and other Central States there was little demand for futures today. One of our friends from Iowa, who was in the office, confirmed the State report, indicating that present corn prospects are probably the best in the history of Iowa. T he same informant also told us that during the next five years added use of nitrogen phospherous fertilizer would probably do as much again for agriculture as Hybrid seed had done during the last ten or fifteen years.

There was nothing new on OPA legislation, but there seems to be a 50/50 chance that there would be no Bill at all. Meanwhile, sentiment in grains is rather bearish. Corn here was under pressure, the price broke the full daily limit, trade was fair, and we believe that gradually the volume should increase.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 July 9, 1946.

It is a rather stubborn economic fact that when governments come into a market to buy for relief purposes that the impact is very much stronger than if a similar quantity of grain is bought by private individuals. When the export business was in the hands of private enterprise, many of the large exporting firms could purchase 4 to 5 million bu wheat overnight without much influencing the market. However, when our government announces that it is in the market for 5 to 10 million bu, sellers immediately become scared, and prices go considerably higher than is warranted. We felt that the program embarked upon a few months ago would bring about unreasonably high prices and that possibly wheat would be pressing against the ceiling for many months for the reasons just mentioned, and also because it had been widely advertised that 25% of our production would be bought as quickly as possible for famine relief. As soon as it became known that we might raise about a billion bu wheat, the statisticians worked out a scheme whereby we might keep our domestic consumption down to 450 million bu, our feeding operations down to about 150 million bu, and other usages almost at a minimum, in order that we could meet the goal set for exports. Everything was figured on such a close margin that farmers decided it might be better to withhold their grain from the markets, and even though they were supposed, by the original set-aside order, to part with some of their grain, it was probably a fact that a larger percentage was stored than might otherwise have been the case.

As conditions now stand, and since the death of the Office of Price Administration, government exports, according to an eastern dispatch, may suspend some of the famine relief buying in meat until next fall when livestock marketings are normally heavier. In other words, they do not want to bid against the American consumer, and we feel that if the same tactics were followed in grain, or if the business were being handled by private enterprise instead, it might be a very much healthier situation. It still appears to be about a 50-50 chance that OPA will be revived, but most close observers feel that if the question could be argued out for another week or two, the Congress might finally be willing to abandon most of these controls, because in the interim period many of the problems are working out much better in practice than had been predicted under theoretical forecast. There are going to be many arguments "pro" and "con" but apparently Senator Wherry of Nebraska will ask to have meats exempted from the new legislation, and we understand that Senator Reed of Kansas will also demand that grains not be covered in the new bill, so that there seems to be little likelihood of any immediate compromise with so many controversies to be settled.

When our market opened, prices were somewhat firmer, probably not so much in sympathy with the questions just discussed, but more as the result of very strong cotton markets; the latter has been affected by a bullish government acreage report indicating smaller production for that commodity. The grain weather seems satisfactory; and there has been moisture in southern sections of the corn belt, as well as in parts of the Northwest. This precipitation was widely scattered and not general, but map readers believe that by next Friday there may be a break-up, and while it is a little too early to become optimistic, there appears to be a chance for widely scattered rains toward the end of the week.

Primary receipts of wheat were 2,310,000 bu compared with 1,830,000 bu last week, and 3,738,000 bu last year. Kansas City stocks so far this week show an increase of 309,000 bu.

There was a fair amount of short covering in oats. While the trade remained bearish on the fine crop prospects, it was felt after four or five days of declining markets that reactions were in order. However, best prices of the day were not maintained, and the close was only fractionally higher. There was likewise some buying in corn; the volume of trade is still small, and we note that the open interest is not much larger than it was at the time the OPA Bill expired on June 29th.

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CHICAGO MERCANTILE EX.

July 10, 1946.

We have too much faith in the American people to believe that this country needs further price control legislation, except possibly for rents. We are mindful of our rich heritage and the things that have made us great. A typical example is the Golden Jubilee of the automobile industry, which is being celebrated this year. The first cars that were built looked more like two bicycles placed side by side with a small 2 cylinder engine in between. Sometimes the wheel base was only fifty-eight inches. Wide open the first car could go sixteen miles per hour under ideal conditions. Yet the cheapest of these old buggies was $600, but the majority ran as high as $1,200 to $2,000. We have made great progress since those pioneer days in the automobile industry, and the luxury cars which are being turned out today are hardly more expensive, and yet this was all accomplished without OPA but simply on basis of competition and mass production. These principles are so imbued in our people that controls of any kind are repugnant except where absolutely necessary. The Senate has twice expressed itself in trying to get our economy back to a normal basis by eliminating meats and certain other products from price control. Yesterday's action is again very encouraging, with the Wherry amendment being passed by a majority of 49 to 26, outlawing any future price ceilings on meat, poultry, egg s, and foods made from them. It is, indeed, likely that further amendments will be voted, particularly as feed grains have such an important bearing on meat prices, and it is almost impossible to divorce the two.

In recent years even wheat has become a much more important element in the feeding category. Formerly we used to figure that about 117 million bu wheat was annually used for feeding to livestock, but this gradually increased until we hit a peak a few years ago of 486 million bu, which meant that actually more wheat was fed to animals than formerly was needed for domestic human consumption. There has, of course, been a downward trend in recent years, and the government hopes that we shall be able to curtail the wheat feeding to about 150 million bu in the current season. But much will depend on the availability of corn, oats, and other feedstuffs.

Nevertheless, it cannot be forgotten that much of the inflation in grain has been created by the government itself. First of all, the desirability of getting a much larger animal population meant greater home usage of all feedstuffs, including wheat. Secondly, our desire during the war to export meat rather than grain caused additional disappearance. Also, the manner in which famine relief was accomplished kept grain prices pretty close to ceiling levels, for the reason that it had always been widely advertised that a certain proportion either had to be set aside or would be bought in the open markets, and this was largely responsible for the stability in grain prices. The farmer in addition to knowing that he could always avail himself of the loan had the knowledge that the government was continually in the market bidding for grain without permitting much relaxation. Thus our prices for the past years have been considerably higher than those in Canada, or for that matter, in other competitive exporting countries, even though at times very small crops had been gathered in the Southern Hemisphere.

Primary receipts of wheat were 2,111,000 bu compared with 1,768,000 bu last week, and 3,343,000 bu last year. Kansas City stocks so far this week show an increase of 960,000 bu.

Markets were rather firm early on the prospect of de-control. Corn rose 5¢, this being the maximum permitted in a single day's trading. Possibly the strength in cotton was a factor, but Winnipeg rye at one time also advanced 5¢ per bu. However, as the session went on it became more apparent that the rains in Canada and in our Northwest had been much better than earlier indicated; a few points in Canada reported as much as 3 inches of precipitation. This created a more bearish sentiment. Oats, likewise, were strong early, but reacted sharply, and all but made new lows on the crop. We believe that the fine crop prospect is still the paramount issue.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 July 11, 1946.

After the close of the market yesterday the government issued figures for July. The crop estimates were certainly as favorable as could be expected, taking all grains together. It is very seldom that we get bumper crops of wheat, corn, and oats all in the same year, but apparently this is the outlook at the present time. While the corn acreage is not nearly as large as had been privately estimated. indicated yields of 3,341 million bu would give us the largest crop in the history of the country, and on the assumption that par will be raised in August, we may still have 3 1/2 billion bu, provided there is normal moisture during July and the first half of August. It is true that the corn reserves are smaller than last year, but yet a stock of 515 million bu is not much below the ten-year average, and taking into account a smaller number of animals, we believe that there should be enough for all purposes.

Coming next to wheat, in spite of the poor spring wheat crop, a total production of 1,090 million bu has only been exceeded once before: namely, last year, when we raised 1,123 million bu. Since our carryover now will probably be slightly in excess of 100 million bu, it looks as though we would start the season with a total supply of 1,200 million bu. The government has in mind exporting about 250 million bu, and if the clearances are no bigger, it would leave about 950 million bu for domestic usage, and next carryover. This leads us to believe that we shall have a carry-over reserve one year from now of about 200 million bu, which is also ample in view of the present high price level.

The oat crop is slightly disappointing, but yet yields of nearly 1 1/2 billion bu must be regarded as very satisfactory, and this compares with a ten-year average of 1,129 million bu. So here again we must point out that in comparison with the average, the results this season are extremely optimistic.

When our market opened this morning prices were very little changed, but, of course, there are a good many uncertainties still in the Washington legislation. While de-controls were permitted for many commodities, grains were not exempted, but still we do not see how the government can reconcile action of this kind, particularly since meat, dairy products, and other similar items are so largely dependent on the price of feedstuffs. On the other hand, we see little likelihood of OPA legislation, because if the original bill was unsatisfactory to the President, it is hardly likely that he will find the present bill more to his liking. It is, therefore, a possibility that when the whole thing is wound up, we shall have merely rent controls and not all the other regimentation to which we were subjected after the war. The government set-aside order, which became a dead issue with the demise of OPA, is hardly apt to be resurrected, as farmers found this very unpopular, and as a matter of fact the plan was hardly effective, because in many States little attention was paid to the order. At the present time the Commodity Credit Corporation is not buying wheat for famine relief, as they are adhering to ceiling prices, and it is, therefore, unlikely that the August shipments will meet the goal previously set. However, if ceiling prices are permanently vacated, we look for a good movement from the country, as there always has been when markets were free, open, and competitive.

Primary receipts of wheat amounted to a little over 3 million bu; a week ago there was a holiday, and last year's receipts were 3;589;000 bu. Kansas City so far this week has increased its stock 1,598,000 bu.

There was not much weakness to our market, apparently enough short covering came into oats to firm prices right after the opening, and later on when Minneapolis became so strong we sympathized, particularly the nearby futures which were wanted because of the strength in the cash market. It seems that the East is bidding for oats in almost any nearby position, and we heard that cash prices here were 96¢ per bu. Unquestionably this was responsible for a fair amount of short covering. In corn, the volume was light, but the market was bid sharply higher on a report that one of the large cash interests which had not been buying for some time, came into the market, and apparently was willing to meet competition.

Little attention was paid to the Canadian government report, claiming the wheat crop was 122% of normal. This suggests a crop in excess of 500 million bu.

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CHICAGO MERCANTILE EX.

July 12, 1946

It is, indeed, unfortunate that just at the time of crop movement there should be so many uncertainties surrounding the market. Ordinarily when accumulations are taking place, hedges are coming into the market, and thus elevators and millers who are unable to sell as much as they purchase are still perfectly secure in their operations. At the present time without hedging facilities in wheat, no elevator concern can operate on a safe basis, and even the mills are terribly handicapped for the reason that if they do sell as much flour as the wheat which they buy, there is no assurance in the event that price ceilings are imposed again that they will be able to avoid severe losses. It reminds us very much of handling a "hot potato" where you try to get rid of it as quickly as you can. A miller who buys his wheat now but who has to process it into flour may require a week or ten days before the flour is shipped, and thus there are great hazards unless price controls remain off.The defeat of the Taft Amendment, as we view the situation, may give the President a change of heart, and while he has not gotten the type of OPA Bill which he wanted, there is the possibility that he may have to accept it in somewhat its present form rather than to see all controls fall by the wayside. We are not predicting that this will be the procedure, but some students are beginning to believe that it might work out that way. Markets are extremely nervous, and while they responded yesterday to a sharp advance in cash premiums, particularly for oats, the reverse was true today, and it seems that the country selling came from all directions, with the result that buyers became frightened, and with today's recession in premiums, futures also weakened. We continue to feel that with the big yields in prospect, finally the movement will overtake demand, but it would certainly be a much healthier situation all around if normal factors were to prevail.

It is likewise an impossible situation to have meats, dairy products, and the like not controlled by ceilings but prices fixed for grains and feedstuffs; this would create such a contradictory predicament that it would throw the entire economic machinery out of gear. We believe that the Department of Agriculture is fully cognizant of the implications. Therefore, if the OPA legislation should be passed in somewhat the form presented by the Senate, we feel that agriculture would have to make proper concessions for grains and grain products to avoid distortions which otherwise would result.

From the information we have gathered and from studies made, it is our firm conviction that agricultural production in this country could be increased by 25% through the proper usage of nitrogen phosphate fertilizers. It may take time, however, to get enough nitrogen to accomplish this. The additional production from fifteen U. S. Ordnance Plants converted to making nitrogen will not relieve the domestic fertilizer shortages. The additional output is to be used in U. S. occupied areas abroad, where it is claimed that the fertilizer is urgently needed to restore agricultural production. There were at least six to eight nitrogen manufacturing plants in Germany before the war that were bombed during hostilities. This has created a terrific shortage of fertilizers in Germany, part of which we are trying to make up from here. On the experimental plots, and in fact on several farms in the country, the addition of nitrogen fertilizers have so enhanced yields that some people are predicting that this phase of agriculture may prove even greater than the discovery of hybrid seed.

Primary receipts of wheat amounted to 2,636,000 bu compared with 51,45,000 bu for two days last week, and 3,490,000 bu last year. Kansas City stocks increased 2,350,000 bu so far this week, and it looks like a fair increase in the visible supply Monday. A year ago stocks in all positions rose 5,806,000 bu.

After mid-session there was some short-covering on the possibility that the de-control of grains would be brought up again on the Senate floor. However, it is felt that there will be some oat hedges in the market before long, and best prices were not maintained. The volume of corn trade is still very small and the market is easily influenced.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 July 15, 1946.

This will probably be the crucial week in determining the nature of the OPA extension bill. In some well informed quarters, it is not believed that the conference in the House and Senate will alter the Senate bill to any perceptible extent, and that the possibilities of restoring controls on foods as exempted by the Senate Bill are rather dim. According to press dispatches, President Truman has indicated that he might veto a bill such as passed by the Senate, and if he should it looks like the last resort of Congress might be to pass some rent control bill eliminating all other features of OPA. Some of the fear and panic expressed over the possible demise of the OPA seems to be passing, and rather than fears of wild inflation, as instilled by the extensive propaganda of OPA, many economic writers are now talking of increased living costs from 10 to 15%. Of course, this in itself has to be analyzed, as in many instances they merely put goods on the public counters at prices that formerly reigned in black markets. No one who is acquainted with the practices which have sprung up during the last six months is aghast at any prospect of a modest rise in the cost of living as compared with the weakening of the moral fiber of many people in this country due to illegal and black market operations. Furthermore, one must not overlook the fact that any advance in price is a result of actions which have been taken in the past and not the direct cause of inflation. Prices merely register the temperature of the patient.

This country embarked on an inflationary program twelve or thirteen years ago. One of the first acts of the Roosevelt Administration was the devaluation of gold in an attempt to raise price levels. The next was a policy of the destruction of crops and animals in order to stimulate prices. We embarked on a program of deficit financing many years ago, which in itself is inflationary. The war naturally caused a tremendous expenditure of government money, and in order to encourage production, the buying power of the worker was greatly enhanced. Low interest rates are another contributing factor. The entire thinking of the planners after V-J Day was that this country was faced with the possibility of an ensuing depression, and their philosophy was to raise wages in order to avert such results. However, this group was committed to a great fallacy in believing that wages could be raised without increasing prices. However, it did not take long to demonstrate that increased wages could not be absorbed without corresponding increases in prices. The OPA in putting out its propaganda tried to influence the public to believe that an increase in prices would mean further demands by labor. We believe that labor is now thoroughly cognizant of the fact that any further increases which they asked will be reflected in the price of goods which labor must purchase.

Excellent rainfall was received over the weekend in Alberta, southern Saskatchewan, and western Manitoba. In this country, light to moderate showers occurred over portions of North Dakota, Minnesota, Iowa, Nebraska, and Kansas. Reports from all territories remain excellent, and the Baldwin Elevator Company, speaking of Illinois, states that pastures have been of such lush growth that it has outstripped the best efforts of livestock to keep it in check. They further point out that high temperatures, humidity, and timely rains were just made to order for the corn crop. Oats are a little more spotty.

When the visible supply was posted this morning, it showed an increase of 8,690,000 bu, and now stands at a total of 49,228,000 bu, or about 20 million bu smaller than a year ago. The corn visible decreased 1,462,000 bu. Chicago stocks of wheat increased 256,000 bu but there is yet only 641,000 bu in this market. Primary receipts of wheat today totaled 5,342,000 bu as compared with 4,768,000 bu last week, and 6,300,000 bu on the comparable day of last year.

According to Broomhall more favorable reports are being received from a large part of Europe, and it is the belief that the food crisis has passed. Two of the largest importers during the past twelve months: namely, France and Italy, are harvesting much larger wheat crops than a year ago.

While flour demand continues some of the mills are beginning to accumulate stocks of wheat, and the more urgent demand is being fulfilled. Same is true of oats, and the cash market in that cereal reflected such condition.

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CHICAGO, 4 July 16, 1946

Now that the loan from this country to Britain has been passed, the wheat pact between Great Britain and Canada is again being revived. Meetings have been taking place between members of the Canadian Wheat Pool and the Wheat Committee of the Cabinet. Apparently terms previously discussed are satisfactory to the Hon. John Strachey, British Food Minister. While terms are not known, it is mentioned that there will be a fixed price of $1.55 a bu for No. 1 Northern at the head of the lakes for the first two years, and no ceiling price for the second two years, although possibly a floor. The quantity mentioned is an average of 150,000,000 bu a year, with the possibility of a larger quantity in the earlier years of the agreement, and a lesser quantity later on. If the pact is finally signed, it will be over strenuous protest of the Canadian grain trade, and will undoubtedly interfere with the export of wheat from the U. S. The principle of the pact is entirely contrary to the ideas expressed by our State Department for freer international exchange of goods. Great Britain, with her present Socialistic trend of government, is of course trying to hold down prices, but undoubtedly will have to face some advance in grain prices. At the present time the British government, through bread rationing, hopes to save between 1/4 and 1/2 million tons of wheat this year. Through the reduction in the size of the loaf, the increase in the economic price of bread to the consumer is being hidden, and the Labor Administration has already lost some caste by the bread rationing and faces further unpopularity if bread prices are to be raised. However, there are some sources who believe that the British housewife, if given all the facts, would complain less over some further increase in price than the inconvenience and annoyance occasioned by added restrictions.

One of the great contributing factors to the disappearance of wheat the past few years has been the total amount used for feed. For the period, 1937-41, the average disappearance for feed was 128 1/2 million bu per year, of which 105 1/2 million was fed on the farm, leaving only 23 million to find its way to feed products. In the crop-year, 1942-43, total disappearance for feed was approximately 295 millic bu, of which 92 million was consumed on the farm and approximately 200 million elsewhere. For the crop year, 1943-44, the disappearance for feed purposes was 487 million, of which 90 million was fed on the farm, and approximately 397 million elsewhere. For the year, 1944-45, of a total disappearance for feed purposes of 302 million, 106 million was farm-fed, approximately 196 million elsewhere. The figures for the crop-year, 1945-46, have not as yet been issued, but in the eight years prior the average amount fed on the farm was only around 100 million bu. If through elimination of ceilings and other artificialities more normal conditions prevail and corn is again permitted to come back into normal channels for trade consumption, the total amount of wheat fed this present crop-year should certainly not exceed 250 million bu, if that much.

For the first 49 weeks of their crop-year, the estimated exports of wheat and flour from Canada have totaled 333,353,000, and showed an increase of about 3 million from the previous week. This leaves them with three weeks to go of their crop-year, with an estimated amount available for export and carryover of approximately 81 million bu. Sanford Evans reports that the crop conditions over the western provinces have been materially improved by good rains and moderately warm weather the past week. Growth has been rapid and early-sown fields are heading. The same source reports that rainfall in Argentina from January 1st to mid-June is almost 5 inches above normal in the Northern half of the country and 7 1/2 inches above in the South, and that present indications are for a large wheat acreage this season.

Primary receipts totaled 2,950,000 bu as compared with 2,310,000 last week; and 4,042,000 bu the comparable day of last year. So far this week, Kansas City stocks have increased 332,000 bu.

Country shipments of oats have been heavy, and cash premiums have been declining; in fact, in the Northwest market Minneapolis premiums slipped about 6 to 8¢ per bu.

Good weather conditions prevail through all the grain belts, and the present prediction is for some scattered thundershowers in the Northwest, as well as throughout the corn areas.

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CHICAGO, 4 July 17, 1946

It is impossible to predict the fate of the OPA Bill, which is now being considered by a Conference Committee of the House and Senate. There will undoubtedly be a great deal of political maneuvering. The Chief Executive has apparently indicated that he would not sign a bill unless same eliminated provisions which exempted many of the major food items from price control. The possibility of de-controlling these items does not seem to be very bright, unless some other formula can be written into a bill definitely curtailing powers of OPA. Should the bill, as it emerges from conference, not be acceptable to the President, then the possibilities are for the discontinuance of all OPA with the exception of rent control, which would probably be written as a separate bill. There has been so much propaganda and pressure brought to bear that the reading and listening public has become imbued with the idea that unless we have a strong OPA Bill, every manufacturer, every producer, and every distributor will be out to "gouge" the public. Of course, this is not the history of American business under free enterprise. Our economic advancement and the high standard of living, which we have been able to obtain in this country, has been through the constant effort of the manufacturers, etc. to reduce the unit cost to the consumer. It is through mass production and skillful management that many items have been put within the reach of the pocketbook of the average American citizen. The constant reduction in prices and the raising of standards has put millions of automobiles, radios, refrigerators, and other such items in the homes of the vast majority of our people.

We now have gone seventeen days without OPA. Looking at the grain picture, oats are selling below the ceiling price. While cash corn has advanced considerably, the futures market, reflecting the new crop, has advanced only moderately, and in line with what the grain trade had been talking at the time ceilings prevailed. The price of cash corn for nearby delivery has been affected by the government purchase of 33 million bu corn. This is a very large amount to take off the market at the end of a season, particularly when corn had not been moving through normal channels, but rather through black markets. The objective of the government at the time in collecting this corn was for foreign relief, but apparently it was not all wanted for shipment abroad, and recently some of these supplies have been turned over to processors, with the understanding that the processors would in turn sell the government wheat. Had we had free markets at that time, we believe with the present prospects of the new crop that old-crop corn would not be selling as high. As far as wheat is concerned, prices are somewhat over last ceilings but there are a good many holes to fill up. Furthermore, the government is still trying to accumulate wheat in competition with private trade, and still insists that elevator houses offer their excess inventories every Saturday, but up to the present time, awaiting the outcome of OPA, the government is not bidding over the former ceilings, although the corn processors in buying wheat to exchange for corn are paying the current price. It is true that cattle have advanced quite considerably, but marketings of animals have increased, and this situation should right itself as soon as supplies become more equitably distributed.

Primary receipts of wheat today totaled 2,677,000 bu compared with 2,111,000 bu last week and 4,054,000 bu last year. So far this week Kansas City stocks have increased 944,000 bu.

Beneficial rains have fallen over the Northwest, particularly in North Dakota, just where needed. A very good friend of ours in the Northwest advises they had another good week for crops, and there has been a lot of improvement during the past several weeks. Although his estimate is still for 240 million bu of spring wheat, he feels that with favorable weather at filling time could step this up 10 to 20 million bu. The government weekly report states that the weather was generally favorable for the growth of corn, although the soil is becoming too dry for satisfactory development in some sections of the Central and Western portions of the belt. However, there have been some rains the last several days, and it looks as though other portions of the corn belt will receive further relief.

There was a weak undertone to both corn and oats throughoutmost of the session. Premiums on oats have been declining, and some time before the end of the month the cash and the futures should come closer together after considering the premium for grades, etc.

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CHICAGO, 4 July 18, 1946.

Reports from England indicate that a revolt is threatened among the bakers against the present government regulations of rationing bread. The arguments used are that the entire system is too cumbersome and too tedious to be made effective. However in spite of the resistance the British government is reported to have decided to follow their original plan of bread rationing. England emerged from World War 11 as a very tired and war-weary nation. Had the conservative form of government been held intact, it is probable that restrictions would have been more quickly relaxed and less tendency to attempt new doctrinary issues. In attempting experiments along the Socialistic line, the incentive reward of free enterprise has been curtailed, and as expressed by the London Economist; "From all over the country the story at the present time is the same. There is no active discontent, but also no sparkle or enthusiasm for anything but the various ways of consuming leisure.... The rewards of success have not merely been shriveled, they have been poisoned, since commercial success itself has been turned in the eyes of wide circles of society into a positive disgrace." As to whether England will finally be able to work out some "middle-of-the-road" compromise between the two concepts of State Socialism and free enterprise remains to be seen. There is no doubtthat for the past fifty years England has been backward industrially, that is, inthe use of labor-saving devices and more modern machinery. This lack of progress has been partly due to the attitude of labor and partly to the reticence of British industrialists, who never would buy a new piece of machinery until assured that the reduction in cost would be enough to not only pay for itself, but also the undepreciated old machinery which was being replaced. While the future trends are being decided, the incentives to produce have reached almost a vanishing point.

Crop news in this country remains favorable. Additional rains have fallen in parts of North Dakota, South Dakota, and a few in Minnesota, and according to our own reports temperatures have been ideal. The Kansas weekly weather and crop report states that wheat harvest was practically completed at the end of last week, except in the northwestern area where same is now making rapid progress. Excessive hot weather through most of the week and inadequate rainfall in parts of the State, particularly the southern section has depleted some of the soil moisture, although this hot weather is too late for any real damage, and is benefiting the corn crop in that State. From Europe we learn that the French North African colonies apparently have obtained a surplus of grains, whereas last year they were forced to import large quantities. Continued favorable crop reports from a large part of Europe during the past week have led to the feeling that the crisis has passed and that demands upon surplus-producing countries will be more moderate.

Primary receipts of wheat today totaled 2,844,000 bu against 3,006,000 bu last week, and 4,690,000 bu comparable day last year. So far this week stocks at Kansas City have increased 1,364,000 bu.

There is still no intimation of the final outcome of the Conference Committee's meeting on OPA. Our Chief Executive stated that the rise in prices since the expiration of price ceilings has justified his prediction given at the time of the veto that inflation would ensue. No doubt he has all the figures in front of him, but we cannot see where this applies to grains where the markets have been extremely orderly and not inflationary. Oats are selling below the old ceiling price, wheat is very little above the old ceiling, while on corn, present cash prices are considerably higher, which to a great extent is due to government purchases under the Bonus Plan, and which cleaned up 33 million bu. The price, as reflected for the coming crop is not high. Other items, such as butter, which have been subsidized are approximately reflecting the amount of the subsidy; in the case of a subsidy whether we pay it out of our own pocket daily or in tax payments at the end of the year, the ultimate result is the same.

There is a little fear expressed at the present time over the weather which seems to be fairly hot generally across the grain belt, but should be ideal corn weather, particularly as showers are now being predicted.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 July 19, 1946.

At the time of dictating this letter it appears that a subcommittee of the Senate-House Conference Committee has been appointed to try to effect a compromise on the controversial OPA issues. From present reports, it is indicated that the compromise might consist of keeping price controls off meat, poultry, dairy products, and other basic foods, such as grain, which the Senate Bill barred, but to appoint a board of probably three members, other than the OPA, which could hear and review cases to restore ceilings at a later date if found necessary. There is also talk of a modified version of the Taft Amendment giving manufacturers higher prices. More may be known by late this afternoon or tonight. There are many articles being written on the "pro" and "con" of present existing prices. There is an old adage that figures do not lie, but they can be made to answer one's purpose.

It is not our idea to enter into this discussion. There undoubtedly have been some very steep advances on articles which have been extremely scarce, and which had found high prices through the black market. We can, however, speak for grains. While some sharp advances took place in the price of cash corn after June 30th, since the demands have been better satisfied, cash corn has been weakening. If the present crop prospects are maintained, it does not look as though there will be any fancy premiums, but just a fair price for that cereal. We again repeat that oats are selling below the ceiling, and wheat very little above. There is nothing to indicate at the moment any material advance in prices, unless the government should become a large buyer. Corn prospects at the moment are splendid. Should these good prospects be maintained the price of corn and oats should be held well in check. Livestock is being sent to market, which should mean some reduction in feeding requirements this winter. We are thoroughly convinced that if grains are decontrolled, and the private trade is permitted to again function, there will be no serious problems in handling this year's crops. The dire results that were predicted by the proponents of OPA do not seem to be materializing, as far as grains are concerned.

Reports from Canada are optimistic. Sanford Evans reports from Manitoba that crop conditions have materially improved during the past week, and with the continuation of favorable weather, there is a promise of a good yield over the greater part of the province. Same is true for Saskatchewan, with the moisture supply in that province considered ample in most areas for immediate requirements. Alberta is also reported in very good condition. Beneficial rains fell through most areas of the three provinces last week. So far this year Manitoba has had 6.23 inches of rain as against 7 inches normal; Saskatchewan 5.58 inches against 6.37 inches normal; and Alberta 6.37 inches compared with 6.55 inches normal. Even though in the first two-named provinces rainfall is slightly below normal, rains have been timely and when needed. Everything at the moment points to a Canadian crop of around 500 million bu.

Primary receipts of wheat today totaled 2,931,000 bu compared with 2,636,000 bu last week, and 4,120,000 bu comparable day last year. So far this week Kansas City stocks show a net increase of 1,792,000 bu; Minneapolis is missing. When the visible is posted on Monday it will compare with an increase a year ago of 10,872,000 bu.

Apparently the four-year wheat contract between Canada and Britain is now a foregone conclusion. Unfortunately if such a course is pursued by the Canadian government it would mean temporarily a further elimination of trading during that period on the Winnipeg Grain Exchange, and further controls on part of the Canadian government.

Some showers occurred over parts of the Northwest, including sections of Iowa, and predictions are for rains in northern and central Illinois. The Iowa Weekly Crop Bulletin stated that the crop progress during the last week was very favorable.

Grain prices continued to decline, and premiums for oats, corn, and wheat were lower. Bids for corn to arrive in Chicago are now $2.18 --a decline of about 9¢ during this week. In Kansas City we hear that cash wheat is 2 to 7¢ lower. Under the circumstances, believe that oats can be sold on any rally.

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try to effect a compromise on the controversial OPA legislation. From recent reports, it is indicated that the compromise might provide for keeping price controls off meat, poultry, dairy products, and other food foods, such as grain, which the Senate bill covered, but to eliminate a basis of price ceilings. [illegible] would hear and review cases to restore ceilings on a later date if found necessary. There is also talk of a modified version of the Amendment giving manufacturers higher prices. More may be known by late this afternoon or tonight. There are many articles being written on the "pro" and "con" of present existing prices. There is an old adage that figures do not lie, but they can be made to favor one's purpose.

It is not our idea to enter into this discussion. There undoubtedly have been some very big advances on articles which have been extremely scarce, and which had found high prices through the black market. We can, however, speak for grains. While some advances took place in the price of cash corn after Labor Day, since the demands have been heavier recently, cash corn has been weakening. If the present crop prospects are maintained, it does not look as though there will be any heavy premiums, but just a fair price for cash cereal. We again repeat that corn is a medium priced feed when wheat very little above. There is nothing to indicate to us that any material advance in prices, unless the government should come a large buyer. Corn prospects at the moment are sound. Should these good prospects be maintained the price of corn and oats should be held well in check. Livestock is feeding much to market, which should mean some reduction in feeding requirements. We are thoroughly convinced that if grains are decontrolled, and the private trade is permitted to again function, there will be no major problems in handling this year's crop. The claims recently predicted by the proponents of OPA do not seem to be materializing, for as grains are concerned.

Reports from Canada are optimistic. Improved weather reports from Manitoba that crop conditions have materially improved during the past week, and with the continuation of favorable weather, there is promise of a good yield over the greater part of the province. There is time for harvesting, with the machinery assembly in that province considered ample in most areas for immediate requirements. Alberta is also reported in very good condition. Heretofore, [illegible] through most areas of the province [illegible]. So far, our Manitoba has had 6,23 inches of rain as against 7 inches [illegible] as compared with 6.95 inches normal. Even though in the [illegible] named provinces rainfall is slightly below normal, crops have been timely and when needed. Everything is the moment points to a Canadian crop of around 500 million bu.

Primary receipts of wheat today totaled 2,022,000 bu as compared with 2,636,000 bu last week, and 4,124,000 bu comparable day last year. So far this week Kansas City showed over a net increase of [illegible],000 bu; Minneapolis is missing. Other visible is pushed on [illegible] it will compare with an increase a year ago of 14,872,000 bu.

Apparently the four-year wheat contract between Canada and [illegible] is now a fait accompli. Unfortunately it seems a compromise [illegible] by the Canadian government. It would seem to terminate a [illegible] of trading during that period on the Winnipeg [illegible]

[illegible] over parts of the Northwest, including [illegible] and [illegible] are for rains in northern and [illegible] Illinois. [illegible] Corn [illegible] very favorable.

[illegible] premiums for oats,

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 July 22, 1946.

The Conference Committee of the House and Senate agreed Saturday on a compromise OPA Bill, which we judge has a fair chance of becoming law. It would extend price control until June 30, 1947, with price-setting provisions for decontrol and recontrol on certain major items by a three-man Board, whose authority will supersede the OPA. There are four provisions under which items may be put back under control: 1- If the price rise in a free market is "unreasonable," 2- if the commodity in question is not in "ample supply," 3- if enforcement of controls is a "reasonable possibility," 4- if recontrol lies within "public interest." The effective date of originally coming to these decisions is August 20th. This leaves the situation, as far as the grain trade is concerned, in a rather unsatisfactory way, and it will be a matter of interpretation as to a "reasonable price rise," "ample supply of commodity," and the "public interest." Instead of having a free market and one in which the orderly channel of trade could function, we may have situations subject to the whims of the Board, political pressure, etc.

As far as grains are concerned, the majority of them should qualify for decontrol, but whether that policy will be carried out is difficult to predict at this moment. Reviewing some of the statistics: the last government report indicated a wheat crop of 1,090 million bu. Figuring that the carryover will be somewhere in the neighborhood of 110 million bu, we started this season with supplies of approximately 1,200 million bu. According to the government calculations, there will be 250 million bu used for export. On the basis of 80% extraction, the consumption for human food should be approximately 450 million bu. For seed there will be another 85 million bu required, and the government is using a figure of 150 million bu for feed. This would make a total consumption of 935 million bu, or a carryover on June 30, 1947, of approximately 250 million bu.

At the present time cash wheat is selling very little over the old ceiling price. Harvesting reports indicate that the final yield may exceed the government estimate of July 1st. Probably the major factor in the price structure will be the method used by the government in trying to meet the export commitment of 250 million bu. If they start out on a huge buying program, it will naturally tighten prices; if they accumulate on a more or less day-to-day basisthe effect of these purchases will be greatly lessened. However, with a prospective carryover of 250 million bu no shortage should be claimed, and it would have to be for other reasons if prices are again controlled.

Regarding oats, the large crop of 1,471 million bu should preclude any possibility of shortage.

In corn, we are facing a crop prospects that with favorable weather can exceed the government estimate of 3,341 million bu, which would be the largest crop on record. The futures market has been adjusting itself to the size of the new crop, prices reign very little above the old ceilings; in fact, during the session today January corn sold down to $1.46 1/2, which was the old ceiling. Cash corn has been adjusting itself, and supplies are coming back to normal channels rather than through the black markets.

Primary receipts of wheat today totaled 4,115,000 bu as compared with 5,342,000 bu last week, and 7,095,000 bu last year. When the visible supply was posted wheat showed an increase of 4,758,000 bu against an increase last year of 10,872,000 bu. The total visible stands at 52,986,000 bu, or 26,337,000 bu less than the same period a year ago. Stocks in Chicago of wheat increased 620,000 bu, and there is now a total reported supply of 1,261,000 bu.

Generally fair weather prevailed over the weekend, except rather heavy rains in the St. Louis area, southern Illinois and up the Ohio Valley. Present indications are for showers in Iowa.

Oats opened lower this morning, but after the first sell-off there seemed to be some short covering. That market is more two-sided, with net changes for the day slightly higher. Oat premiums were on the firm side. The boxcar situation is becoming rather acute for shipment of small grains, and country shippers who have made sales are having some difficulty in filling same. Corn was weak throughout the major portion of the session, with the January future practically at the old ceiling price.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 July 23, 1946

The government report, issued after the close of the market yesterday, furnished no surprises to those who have been watching the development of the new crops but rather affirmed what the general belief was. With a corn crop now estimated at approximately 3,488 million bu and with many feeling that with good weather from now until the end of the season this estimate can be exceeded and with a wheat production of 1,132 million bu, we will have a banner year for agriculture. The producers in this country should feel well pleased with themselves for what they have been able to accomplish in spite of great difficulties. The weather has been favorable. Rains have appeared at timely intervals but the results are also due to the more modernization of farms, through the use of better varieties of seed, through the use of farm machinery and through fertilizer.

The new OPA Bill, which is to be discussed in the House today and will come up shortly in the Senate, prohibits any price ceilings under any circumstances before August 20th on meats, dairy products, grains, cottonseed, soy beans and food and feed production made from them, as well as poultry, eggs, tobacco and petroleum. The Bill further provides that a Control Board of three be appointed who will have to make a decision before August 20th whether these items should be re-controlled or remain free of ceilings. If the Board fails to act before the 20th, then it becomes the duty of the OPA to restore controls at whatever level they see fit. With the present prospect of grains we cannot by any stretch of the imagination see any shortage of supplies particularly if unrestricted prices are allowed to prevail in the free market. We pointed out yesterday the possible carryover of wheat on June 30, 1947. This figure can now be revised by the addition of 46 million larger crop prospect which could mean the carryover might be between 250 and 300 million bu. The 3 1/2 billion bu corn crop should more than amply fill the requirements and demand for that cereal. In fact, today, new crop corn was contracted for at less than the old ceiling price. Rye, with the present small carryover and small crop, will probably qualify for the control. Regarding meats, we are not qualified to speak authoritatively on this subject but we understand that the situation has been correcting itself and although prices have advanced considerably, there is a tendency now for the easing of same and this will undoubtedly continue to be the case between now and August 20th , if cattle and hogs move in the same volume as the past few weeks. Black markets have been discouraged. There have been, however, many holes to fill and it naturally takes a few weeks time to overcome the mal-distribution which has existed. The urgent demand for feeds has been corrected, and all in all, the situation appears much healthier than it was on June 30th. Obnoxious practices have been discontinued and all indications point to the fact that the private trade can well handle the situation if not unnecessarily handcuffed by regulations and restrictions.

In addition to the very bright prospects of wheat in this country, Sanford Evans now estimates the crop for the Three Prairie Provinces at 492 million bu and conditions at the moment are favorable for the growing crop. From our own Northwest, we are advised that the past week was very favorable for the crop. There were a few bad hail storms in Western Dakota and Montana, but in the main, reports show continual improvement.

Primary receipts of wheat totaled 2,810,000 bu compared with 2,950,000 bu last week, and 5,280,000 bu last year. Kansas City stocks so far this week show an increase of 67,000 bu.

Rainfall was rather inconsequential overnight, although some showers are predicted for parts of Iowa and Missouri. The government report of yesterday caused a bearish feeling at the opening, although later in the session there was some short covering in oats on the fear of cold weather in Canada. The temperature was down to 33 degrees at Edmonton. One well informed party in Winnipeg wired us that he did not consider frost damage serious, although there is bound to be some damage in certain sections. Apparently there were quite a number of points reporting temperatures near the frost line.

At the moment trade is confined mainly to oats, and that cereal bears the brunt of all bearish feelings. If crop prospects are maintained we believe oats will sell at lower levels, but feel that on the present decline some caution must be exercised. Weakness in grain was also attributed to weakness in the stock market. As far as corn is concerned, cash premiums continue to decline daily, and some new corn was contracted for less than the former ceiling.

DAILY MARKET LETTER

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KANSAS CITY BOARD OF TRADE
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CHICAGO MERCANTILE EX.

CHICAGO, 4 July 24, 1946

The House passed the revised OPA Bill late yesterday, and it appears likely that we shall have new legislation on the statute books before the end of the week. The President has intimated that his signature will be affixed to the Bill for restoring to a limited extent price ceilings after a three weeks lapse. If all this happens much will depend on the manner in which this new law is administered.

From present indications we are going to have a good deal more grain on hand than in normal years, and with probably the largest corn crop in the history of the country feeding of substitute grains, such as wheat, may be considerably reduced. There have been some complaints of dry weather in scattered areas of the corn belt, but generally speaking the warm weather has caused the plant to advance rapidly, and according to the government weekly report the crop is now tasseling in early fields to the northern border States. Rains during the week, especially in the East, were very beneficial, but hot weather has caused topsoil to dry rapidly, and it seems that the sections around the lake region require rain during the next week or ten days in order to maintain present optimistic prospects.

For the time being it appears as though this country could export very large quantities, but looking ahead, the signing of the pact between Canada and the United Kingdom may change the size of our shipments from what we had prior to the war. From present indications the Canadian Wheat Board will sell wheat for export at $1.55 per bu under this agreement, and at much higher world prices if there is any wheat to sell in other markets. As far as the farmer is concerned, his initial return will be $1.25 per bu, but there may be a boost to as high as $1.40 if it is found a little later on that the higher price is practical. In normal times Britain takes about half the wheat which Europe imports, and the loss of that customer to us foreshadows difficulties in the period ahead. For the moment, of course, it will not be a big factor because the famine relief program is continuing, although in recent weeks the government has made hardly any purchases, and apparently they are waiting for further price recessions until they can buy at the old ceiling levels which prevailed before expiration of OPA.

Before our market opened this morning the trade viewed carefully stock quotations in New York, and yesterday's drastic decline was undoubtedly responsible for some of the weakness in grains. Today's market in securities indicated that the urgent liquidation may be over for the moment, but there are still some fears expressed that there are enough people in Washington who believe in a profitless economy, and that if OPA restrictions are put into effect again, that business will find it more difficult to prosper, particularly with the advance in wages which has taken place during the past six months.

Primary receipts of wheat amounted to 2,553,000 bu compared with 2,677,000 bu last week and 4,737,000 bu last year. Kansas City stocks so far this week show an increase of 437,000 bu.

There was no particular weakness in any of the cash markets. As a matter of fact, corn premiums were a little stronger, while there was firmness in oats. In the Southwest cash wheat has been declining of late and is now within 2¢ of the former ceiling price, so apparently it is felt that before long the government may re-enter the market for foreign relief purchases. The mills, cognizant of the situation, are taking on their supplies trying to build up reserves. Of course, the crop has turned out so much better than anyone had anticipated earlier that if we get a final yield of 1,132 million bu, plus a carryover of say 100 million bu, it will give us extremely large supplies and even if 250 million bu of wheat are exported, the carryover reserve one year hence should be a great deal larger than at present. Likewise, corn production of 3,487 million bu is sufficient to inspire great confidence so that with smaller numbers of animals to feed this situation also will be vastly different from the previous season. While prices at times were somewhat lower, possibly in sympathy with the limit break in New York cotton, there was not much pressure and at the last, values were only slightly changed from the previous session, except for barley. That cereal declined 5¢ per bushel.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 July 25, 1946

It is to be hoped that the new OPA Extension Bill will be administered in such a way as to prevent black markets, such as we had when previous legislation was on the statute books. It is difficult to say how much grain went through the irregular channels of trade, because no figures are kept on that subject. However, by the government's own data, there was a great diversification of cattle slaughtered from federally inspected to non-federally inspected plants during the first six months of this year. Estimates indicate that the total slaughter in non-inspected plants in April was larger than the slaughter in the inspected plants. This is the first time in history that such an unusual phenomenon occurred. It clearly indicates what an important factor price is in determining the distribution of any product. It is also interesting to note that cattle numbers have declined moderately from the figure of 82 million head on January 1, 1944. The outlook is for a near-record level of marketing and slaughtering of cattle during 1946, although it is expected that it will be moderately lower than in 1945, as the result of reduced numbers available.

When our market opened this morning, oats were rather steady, and with only about 1/2 million bu here in Chicago, and some apparently to go out for eastern destinations, it may take a little time yet before we can build up reserve supplies. Also it is true that outside markets are bidding higher prices than Chicago, so that for the time being our market may have had a sufficient decline.

Indications from Washington point to the restoration of former price ceilings on goods for which the OPA may have authority to act. These items would be mostly consumer goods, especially clothing and durables, and most producers' goods. Specifically exempt from the confinement of price controls, at least until August 21st, are meats, dairy products, grains, cottonseed, and soybeans and products made from them, also tobacco and its products, and petroleum and its products. As we read the new law, no ceilings may be re-imposed upon grains before August 21st, at which time ceilings will be restored automatically unless the new Board acts to continue the exemption, which it is urged to do.

As far as oat prices are concerned, we see no reason, for at least the next thirty day period, to have any restrictions on this cereal. Wheat is about on the border line, and much will be determined by the temper of the men administering the law. Cash corn and rye are considerably higher, although corn futures, discounting a big crop and what the situation may be some months ahead, are presently lower than the former ceiling of 1.46 1/2 per bu.

There was word from Winnipeg that the recent frost in Canada had done more damage than was earlier indicated. Some of the districts of Northern Alberta will probably report deterioration, but it may take some days yet before this can be accurately estimated.

The Bureau of Agricultural Economics points out that a wheat crop of 1,132 million bu, while very large, is going to keep domestic supplies of bread grain tight well into 1947. It points out, however, that even if domestic consumption is equal to that of 1945-46, it will be possible to maintain export goals of 250 million bu without much difficulty, and still increase the carryover by next July. However, the reserve stock on the first of this month was down to approximately 100 million bu, which was the lowest in almost a decade. In view of the fact that there was an upward revision of 42 million bu in wheat crop prospects this month, there may be some liberalization in the quantity which millers will be allowed to use, but nothing definite on that subject has been announced up to now.

Primary receipts of wheat today were a little smaller than last week, and only about half as large as last year. Kansas City and Minneapolis stocks so far this week show a net increase of 36,000 bu.

Ottawa confirmed the four-year agreement under which Canada would sell Britain 600 million bu of wheat at a fixed price starting at $1.55 per bu, and gradually tapering off.

According to Dow-Jones, crops in France are so abundant this year that there is some question whether that country will need to import 30 million bu, which had been previously figured. Searle, of Winnipeg, estimates the Canadian wheat crop for the Provinces at 502 million bu, which means about 525 million bu for all of Canada.

Our markets were rather strong, except corn. There was some light scattered rain in parts of the belt, and a little more precipitation is in prospect. Short covering in oats brought about a fair rally in that cereal.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

July 26, 1946

It was practically 1924 before we recovered commercially from World War 1. For example in the three-year period, 1920-1922, world wheat shipments totaled only 630 million bu, which was not as much as was required by people who were practically on a starvation diet. Of that quantity 45% was furnished by the United States, or approximately 288 million bu per year. By 1925 world shipments were stepped up to about 780 million bu, and continued to average that for the following four years, but by that time our contribution had dropped to about 150 million bu annually, or 19%. Apparently, what had taken place was that the high price had stimulated production in Argentina and Australia, and they have been important factors in supplying grain from that time onward. When World War II was concluded we were in a better position to supply European needs for the reason that ever since Pearl Harbor we have raised tremendous crops of wheat in this country; for that matter, other grains also were abundantly produced. Our wheat crop for five years: namely, 1941-45, averaged 989 million bu, and it looks as though the present crop would be considerably more than that, so that even with large domestic usage we have been in a position to export heavily during the last two or three years. Nobody can tell for sure what European requirements will be, except that it is safe to say that their crops have turned out much better than were earlier indicated.

Russia is always an unknown factor, but nevertheless is one of the major grain producing countries, and one has to be prepared that they may return as exporters before long. It was reported on good authority yesterday that they were seeking bids on 1/2 to 1 1/2 million tons of grain, including wheat, barley, and oats. It must also be remembered that during the past 12 months she has sent grain to France, Poland, Finland, Czecho-Slovakia, and possibly even to Greece. With a much bigger harvest this year, Broomhall is of the opinion that shipments may be larger than last season. In any case, she will hardly want Balkan grain surpluses, besides which some of the Rumanian surplus may be made available for the deficiency countries. According to the Wall Street Journal, North Africa may export up to 20 million bu, and as we mentioned yesterday France's production may be sufficient for home needs. As for the rest of Europe, reports are fragmentary, but it is pretty well assured that crops are turning out better, and harvests will soon be under way.

Here at home the wheat crop is practically made. While there are still some uncertainties for Canada, it is felt that even with some damage due to the frosts, the Provinces will raise about 500 million bu. So even with a small reserve stock they will have a considerable quantity to spare.

Primary receipts of wheat amounted to 2,457,000 bu compared with 2,931,000 bu last week, and 4,303,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 1,213,000 bu. A year ago the visible supply increased 10,807,000 bu, but we do not expect as big an increase on Monday when the figures are published.

The overnight news was about as expected. The President signed the OPA Bill, but the 3-member Board which will administer policies has not yet been announced, although we understand that two of the men have been chosen, and have accepted their new responsibilities.

The weather was mostly fair, but temperatures in the corn belt are reasonably cool, although we are still advised that in some sections precipitation is wanted. It looks as though the Northwest would receive scattered showers, with higher temperatures in sight, but the spring wheat crop is nearly made.

Our oat market was quite strong, cash interests bought, and apparently there was some export business, but on the other hand liquidation came in when best figures were reached, and moderate recessions took place. March corn at one time rallied rather sharply, but trade was light, and later on the market reacted considerably, closing nearly 5¢ lower

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 July 29, 1946

After the close of the market Saturday, President Truman named the three members who will comprise the De-control Board. The appointments have to be approved by the Senate, but the consensus seems to indicate that there will be no difficulty from that point. Naturally, the first job facing this Board will be to decide by August 20th whether controls should be re-established on meats, dairy products, grain, cottonseed oil, and soybeans, as well as other items. Representatives of the Grain Trade are preparing material to lay all information possible in the hands of this new Board, and until decisions have been reached uncertainties will exist in the market.

In the meanwhile it has been reported in Washington dispatches that the government will return the bulk of the flour export business to the private trade. There has been no official confirmation of this pending move. The news was well received by the trade and is a step forward in eliminating government supervision. However, it appears that whatever wheat is required to meet our export commitment still will be controled by government agencies.

Considerable fear was expressed last week with reference to the low temperatures which had existed in parts of Canada. In analyzing the belt where the lowest temperatures occurred, we judge that there may be, at the outside, 1 1/2 million acres involved. If the crop should be a total loss in that area, which undoubtedly will not be the case, it would involve at the outside 30 million bu. However, this year the wheat acreages in the Canadian Provinces were increased 12%, or 2,600,000 acres. Even taking the worst view of the frost damage, the total Canadian crop still could be around 500 million bu.

The government has placed the carryover of wheat in this country on July 1st at 101 1/2 million bu, which is the smallest amount in the past 20 years, with the exception of 1937. The disappearance is as follows: milled for flour 605 million bu, seed 82 million bu, alcohol 21 million bu, wheat exported 270 million bu, and other uses including feed 326 million bu. It is probably fair to estimate that of the wheat milled for flour, the equivalent of 100 million bu was exported, bringing the total wheat exports to 370 million bu, and adding 326 million bu for feed makes the probable total 696 million bu, used for export and feed. The present government estimate on the 1946-47 crop is 150 million bu to be used for feed, 250 million bu for export, or a total of 400 million bu, which would be a decrease of approximately 300 million bu from the disappearance of 1945-46.

Over the weekend, there were some showers in South Dakota with good general showers to fair rain in parts of Minnesota. There were also showers in Iowa and Missouri but nothing of any consequence in other sections of the corn belt. The dry hot weather has no doubt caused some deterioration in corn prospects in Kansas and Missouri, but in the major producing area, conditions are being fully maintained. The Weekly Grain Letter of the Department of Agriculture stated that the corn crop advanced rapidly in most sections and is tasseling in early fields in the northern border states. The Baldwin Elevator Company reporting for Illinois, stated that high yield and fine quality of wheat produced will undoubtedly be an incentive to increase the seeded acreage this fall. They report that the corn crop continues to show very promising prospects under ideal growing weather, and that oats have been completed in a large area of the state with the yields showing a rather wide range. Furthermore, they state that the soybean crop looks marvelous and developing splendidly. Reports from Minnesota also indicate that due to the very favorable weather the first two weeks in July, crop prospects in that state were increased materially from the July 1st estimate and that the corn yields look like about 51 bu per acre, with the development of the plant ahead of normal for this date.

Primary receipts of wheat totaled 3,478,000 bu, as compared with 4,115,000 bu a week ago, and 5,276,000 bu on the comparable day of last year. Up to the close of the market, the visible supply figures had not been released.

Our market opened with a much firmer tone this morning but advances were not maintained. Oats are still wanted to complete July contracts and this is the one sustaining factor in the market. The final price will be determined by the size of the corn crop and any government action that may be taken. While selling should not be pressed on breaks if the present feed prospects are maintained lower level of prices seems to be inevitable. This is one more reason that grains should be de-controlled in order to have orderly future markets, which, if properly used, can prevent inventory losses.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 July 30, 1946.

There have been no reports as yet about any meeting of the Three-man Price Control Board recently appointed by President Truman, but it is rather interesting and encouraging to read a press dispatch from New Orleans in which Mr. Roy L.Thompson, who is Chairman of this new Board, is quoted as saying: "The quicker we can find the possibility of getting things out from under price controls, the sooner we can arrive at the situation we are all looking for." We are under the impression from former utterances of Secretary of Agriculture Anderson that he is favorably inclined to a program eliminating subsidies as quickly as possible, and also controls of those grains in which supplies are adequate.

In analyzing the estimates for this crop year, everything points to an ample supply of wheat, corn, and oats, even though the goal for wheat exports is 250 million bu. As far as wheat is concerned, the winter crop is practically harvested, and no complaints are being received from the spring wheat section. The oat crop is also about made. This leaves corn, on which the weather for the next sixty days will be the dominant factor. However, some complaints are now being received of extreme dryness in the northern areas of Illinois and Indiana, but on the other hand, conditions in other of the large producing areas seem to be satisfactory. Many in the grain trade were of the belief that the last government estimate of corn could be exceeded if everything remained favorable. So even if there should be some losses in the areas mentioned above, there is still a good possibility of a 3 1/2 billion bu crop. Oats are selling below the old ceiling price, and cash wheat is now very close to the old ceilings. Therefore, with present prospects there appears to be no reason why these two cereals should be controlled. As far as cash corn is concerned, for prompt shipment prices are considerably above the old ceiling level, but they have receded about 15¢ to 18¢ from the high point. The cash corn for future delivery of the new crop is being booked below ceiling prices. Whether corn should be controlled before harvest time is a matter that could be subject to questioning. After the crop has been assured there should be an easing in feed requirements.

We firmly believe that the new control board (or de-control, as it is sometimes referred to) will do a most conscientious job, but it is very difficult to expect the judgment of any three men to supersede the natural laws of supply and demand as expressed by free enterprise. We hope that their judgment will be the best. During the period which OPA has been inactive black markets have disappeared, with all their vicious practices, and we hope that no action will be taken which would lead to the restoration of illegitimate transactions.

Yesterday afternoon the Department of Agriculture released the July 15th parity prices of principal farm products, and in so doing, raised the parity figures considerably from the previous month. Wheat now stands at $1.76 compared to $1.66 a month ago and $1.53 a year ago; rye $1.43 compared to $1.35 a month ago, and $1.25 a year ago; corn $1.28 vs $1.21 on June 15th and $1.11 on July 15, 1945. Parity on oats stands at 94.4¢ vs 75¢ on June 15th and 69¢ on July 15, 1945.

Primary receipts of wheat today amounted to 2,040,000 bu which compared to 2,810,000 a week ago and 4,432,000 on comparable day of last year. So far this week, stocks in Kansas City and Minneapolis show a net increase of 275,000 bu. The visible supply, which was not posted yesterday until after the close of the market, showed an increase of 7,943,000 bu and total stocks now stand at 61,929,000 bu, or approximately 30 million bu less than a year ago. Stocks in Chicago increased 1,307,000 bu and show a total in this market of 2,568,000 bu.

We have a message from Kansas City stating that cash handlers of grain all report that outside demand for feed grains including corn is very poor, and as one dealer said, "Unable to poke any feed grains down their throats." Oats do not show any great recuperative ability. Cash premiums for prompt shipment remain about unchanged, and there is a good demand in order tomeet present commitments but very little interest expressed in later deliveries.

The Department of Agriculture announced late in the session that effective tonight part of the War Food Order providing for offers of excess wheat was to be suspended. This is very constructive and will undoubtedly pave the way for the resumption of trading in wheat futures.

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CHICAGO MERCANTILE EX.

July 31, 1946

There were some rains reported overnight in sections of Illinois, but elsewhere the weather was mostly fair. Some apprehension has been expressed due to the continued dry weather, but one source reporting for northern Illinois states that as yet crops have suffered no appreciable damage from the lack of rain, as sufficient subsoil moisture is holding the crops even though there has been no material rains for the past month; in fact, the drought condition has enabled farmers to complete most of their haying and the harvesting of other grains. The government weekly weather and crop report states that warm weather during the week was mostly favorable for the development of growth of corn where moisture was adequate, although there were some undesirable hot nights in the Western Plains. They further intimate that continually warm weather and lack of substantial rains were unfavorable in the southern portion of the Plain States, where corn is now in the critical stage of development, and some deterioration has been reported. However, they comment that the corn crop in general is in good condition, and that in Iowa, the largest producing state, that cereal made good to excellent progress, and is in mostly splendid condition.

Apparently there is still some confusion among the OPA, the Secretary of Agriculture, and the new three-man de-control board, as to the workings of each, and both the OPA and the Secretary of Agriculture have been seeking an interpretation of the Act in finding the functions of each individual part. One of the urgent problems which seems to be facing these different organizations is whether or not subsidies on flour should be re-instated, and what the amendment of the present flour ceilings will be. The OPA contends that grain products are not specifically exempt from control under the present law, and of course much will depend on the action of the de-control board prior to August 20th with reference to grain prices.

A rather encouraging statement was made by Mr. Ralph M. Field, Secretary of the American Feed Manufacturers Association, who told the members at the Annual Convention that in the absence of price ceilings on grain and other feedstuffs the serious maldistribution of animal feeds in this country has already ironed itself out, and that the critical shortages in the so-called deficient feed areas have practically disappeared. He further states that with the present crop prospects, the improved distribution, and a somewhat reduced livestock population he considers the feed shortage about over.

Reports from Europe are that better crops are in prospect, and Broomhall states that present indications point to a considerable reduction in import requirements. Spain, Italy, and France are all harvesting larger crops, and some believe that France will not require any imports outside of North Africa. Grain harvest in Switzerland is about equal to that of a year ago, in Sweden the crop prospects are favorable, the Rumania corn crop is reported to have an excellent outlook, and Hungary is estimated to have a crop about three times as large as last year. The only spot from which any unfavorable reports are being received is New South Wales, the largest producing area of Australia where drought has taken some toll, and where the production will be sharply curtailled if adequate moisture is not received in the nearby future.

The Department of Agriculture announced today that despite prospects for record crops, there will be no relaxing of domestic grain restrictions until after fall harvest. They further indicate that if the prospects for corn and wheat materialize, the first move will be to increase the 250 million bu earmarked for foreign use and rebuild this country's reserves.

Primary receipts of wheat totaled 1,964,000 bu, as compared with 2,553,000 bu a week ago, and 3,426,000 bu on the comparable day of last year. So far this week, Kansas City and Minneapolis stocks show a net increase of 735,000 bu.

Yesterday afternoon, the Minneapolis Exchange took action to resume trading in wheat futures. No action as yet has been taken in either Kansas City or Chicago markets.

Our markets were stronger today. There was some short covering due to the fact that the government is reported to be in the market for some oats. The quantity mentioned at the moment seems to be about 1 1/2 million bu from Chicago.

We wish to correct a stenographic error in our market letter of yesterday in which the parity price of oats was given as 94.4¢. This should have read 79.4¢.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 August 1, 1946

While the present weather is not altogether satisfactory, it is apparent that the wheat crop is about made, and from all indications we shall have a yield of about 1,132 million bu, which would be the largest on record, and 9 million bu above last year. The July prospects for feed grain supplies are also very encouraging. According to the Bureau of Agricultural Economics: "The July indicated supply of feed grain for 1946-47, including carry-over of old-crop grain plus new production, would be the largest on record, both in total tonnage and on the basis of animals to be fed...The total supply of feed concentrates for the 1946-47 season, including feed grains, by-product feeds, and wheat and rye for feed, on the basis of July indications, would be almost 2% larger than the 1945-46 total supply of 160 million tons. The supply per animal unit would be 7 to 8% larger than a year earlier ...The most severe stages of the tight feed situation apparently had passed by early July, with new-crop grain becoming available and abundant green feed in most sections of the country." It is, indeed, encouraging that the feed situation is so favorable because this will mean a real saving in wheat. For example, last year when the disappearance was the largest in our history, about 320 million bu was fed to livestock compared with 298 million a year earlier. It is to be hoped that the government's estimate for 150 million bu through feeding channels may be correct if the corn prospects are maintained.

There are some corn sections where dry weather may take a certain toll. This is particularly true in parts of Kansas, where there has been no relief lately, although Iowa, the most important corn state, is still doing well. A bulletin dated July 28th states that crop prospects continue excellent in all general areas of Iowa, but that in the northern one-third of the state, rainfall has been scattered so that some communities are in need of showers to freshen the dry pastures, and to give new seedings stronger root system. However, in most areas the soil moisture and temperature conditions have been "tailor-made" and have promoted the growth of crops toward early maturity. Unfortunately, there is no indication for moisture in the dry sections of Illinois and Indiana for the next 24 hours, and this created strength in our corn market this morning, but the advance was rather short-lived, and it took but little selling to bring about reactions.

During the past season the four major exporting countries shipped about 864 million bu of wheat divided as follows: United States 386 million bu, Canada 372 million bu, Argentina 68 million bu, and Australia 38 million bu. Total world shipments were somewhat larger owing to the fact that some small quantities were shipped by Russia and from the middle-east, and thus wide-spread starvation was prevented by the adjustment of rations. In the crop year ahead, it is generally felt that the exporting nations will not have to furnish as much grain. Prospects in Europe are for a crop better than the very poor ones in 1945 and 1942, and it may be stated at this time that the outturn in Southern and Western Europe, where the harvest is in progress, and also North Africa, show a supply sharply above the poor harvests of last year. For example, the combined production in Greece, Italy, France, Spain, and Portugal is estimated at about 650 million bu compared with about 440 million bu last year, and 726 million bu the pre-war average during the period 1935-1939.

Wheat prices advanced from 5 to 10% following the lapse of price controls, but most of the advance was lost as our crop outlook improved, and it is, therefore, to be hoped that the De-control Board will not find it necessary in view of the large prospective supplies to renew restrictions on August 20th.

Primary receipts of wheat were only moderate, amounting to 1,785,000 bu, as compared with 2,361,000 bu last week, and 3 1/2 million bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of slightly over 1 million bu. Most of the strength came right after the opening, with January corn touching $1.47 per bu. Later on, profit-taking and hedging came into the market, and the noon corn quotations from Buenos Aires showed very sharp declines for that cereal, which caused a sympathetic decline here. Little attention was paid to the strong hog market with record prices being paid. The Chicago corn hog feed ratio for the week was 9.5, which is almost normal, compared with 8.1 last week. Despite some dry weather talk, oat prices were under pressure and the close was lower. There was nothing new on exports.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

MEMBERS:
CHICAGO BOARD OF TRADE
NEW YORK PRODUCE EXCHANGE
NEW YORK COCOA EXCHANGE
NEW YORK COFFEE AND SUGAR EX.
COMMODITY EXCHANGE INC.

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MEMBERS:
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WINNIPEG GRAIN EXCHANGE
DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4

August 2, 1946

The layman probably has very little conception of the actual extent by which the government and governmental agencies have held a hand in agricultural commodities during the past four or five years. We are not calling attention at this time to the various subsidies which have come from the public treasury, although in recent weeks when Congress failed to continue some of the appropriations the consumer had a sudden shock in having to pay higher prices for butter, cheese, flour, and various other articles, which were being used daily by the consumer. Nor are we calling attention to the bounties which have been paid directly to the farmer either for soil conservation, or for increasing or decreasing acreages, but we have more in mind the actual support which has been given to some markets, or the actual buying by UNRRA for relief, which has been an important factor in bringing about some of the inflationary tendencies which we have noted. For example, even with many of our men mustered out of the service, the government is still a very heavy purchaser. It was reported that they had stepped into the poultry market with increased buying operations last week; about 25 million pounds are expected to be bought during the last half of the year. Besides this, the government has a support program for potatoes and some other vegetables; their operations continue heavy, and probably will be a factor throughout most, if not all, of the marketing season. During the past two weeks the government potato purchases have amounted to about 20% of the total marketings.

Everybody knows that some day when we get back to more normal economics that agriculture will have to stand more on its own feet. The great increase in the use of fertilizers is giving us better yields than ever before in history; also greatly improved seed varities, better machinery, have also been factors in increasing production. It is not uncommon now to have yields of 100 bushels per acre in best sections of the corn belt, and in some cases where farm technique is particularly good even this figure has been exceeded. There have been conferences sponsored jointly by the University of Wisconsin, and 16 state bankers associations in the middle-west to consider some of these problems in the years to come. They will concentrate for two weeks on various economic problems, and last Monday the agricultural section was shown the great dilemma facing agriculture in future years. They have made studies as to what to do with the demand for farm products gradually tapering off, while supply increases each year by larger and larger amounts because of the technical revolution going on in agriculture. While parity prices have advanced almost without exception each month, or each two months, since the formula idea was conceived one has to figure also that there is bound to be a reversal some day. Thus since loans are computed on the parity formula, producers are going to find great fault when they discover their incomes dwindling. Of course, the war has not yet been officially declared as over, and for a period of two years we shall still have markets supported either artificially or through purchases made necessary by famine relief, but it does look very much as though Europe is coming back faster agriculturally than was the case after World War 1.

About the only overnight news was a little more moisture in parts of the corn belt, which had been unexpected. There was a fair amount of moisture along the eastern boundary of Iowa extending into Illinois, and there were also some showers around Springfield and Jacksonville, Illinois, extending as far northwest as Sterling. The main deficiency areas are still in the northern counties of Illinois and Indiana, and while the five-day forecast is not too optimistic there have at least been some showers to relieve local areas, but of course a good general soaking would be ideal in order to maintain a prospective crop of about 3 1/2 billion bu.

Primary receipts of wheat amounted to only 2,190,000 bu, compared with 2,457,000 bu last week and 3,887,000 bu last year. Kansas City and Minneapolis stocks so far this week show net increase of 1,293,000 bu. We expect a rather moderate increase in the visible supply on Monday, although last year it increased slightly over 13 million bu. The weakest cereal today was corn, influenced by scattered rains in portions of Illinois and Iowa. The relief afforded was by no means complete, but it is expected that about half of the corn belt will receive light precipitation, possibly 1/10th of an inch or more, according to official prediction. Doubt, however, is expressed that Indiana will share to any extent, and likewise the prospect is for mostly dry weather in Kansas. Oats were slightly weaker early, but firmed later in the session on short covering. Most of the reports from Canada are still optimistic on all grain.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4

August 5, 1946

The Price Control Act provides that the new Price De-control Board shall decide before August 20th whether certain agricultural commodities are to remain on the free list, as at present, or whether they shall be re-controlled. Among these commodities are grains and feeds, and, of course, it is of vital interest to everyone in the trade as to how this matter will be decided. As we understand it, the Board will announce its plan for procedure tomorrow, and will begin hearings on August 12th. It will receive briefs and will also hear brief oral arguments. It is, of course, quite a speculation as to what the final decision may be, but much is going to depend on the decision of the Agricultural Department. From what we hear sentiment favors complete de-control of major commodities certainly as soon as it can be done with safety. As is pointed out, farmers will be better off in the long run if the declines start from a free market price level rather than from an artificial price structure bolstered by subsidies. Furthermore, the three major cereals have been produced in such abundance that there is probably no sound reason for fixing maximum prices. The wheat yields promise to be the largest in the history of the country, and with favorable weather Northwest even the spring crop is almost assured. A crop of 3 1/2 billion bu corn, if it materializes, will also be a record, and while there have been some complaints of dry weather, in parts of northern Illinois and northern Indiana, the outlook is for relief and a showery condition in those sections, while elsewhere conditions are still very good; in fact, for Iowa the State report claims that conditions have been about ideal, with the weather "tailor-made."

There is one notable exception in the grain field: namely, rye, where that crop is in short supply. The last government estimate places the crop at less than 21 million bu, which is only half a crop, but even here there is a good argument for de-control, because unless farmers are encouraged to plant more, there is no assurance that there will be relief next year. The sown acreage was about 17% smaller than the season earlier and the lowest in sixty-five years; so it is quite apparent that an unsatisfactory ceiling price might create a very bad situation, and it is within the power of the Secretary to permit higher prices in order to encourage heavier production.

Trading started today in Kansas City wheat futures, and the first price for September wheat was $1.90 per bu. Apparently sentiment is not too bearish owing to the fact that PMA last week confirmed the statement that CCC would buy wheat if possible at ceiling price or market up to 250 million bu, with not less than twenty-four hours' notice to the trade before any change in the buying price would take place; or the complete cessation of buying if their program were altered. Thus it is only natural to expect that there will be fair support for this cereal for sometime to come.

The primary movement of grain is not particularly large considering the size of the crops. Today's receipts amounted to 3,118,000 bu, compared with 3,478,000 bu last week and 6,180,000 bu last year. When the visible supply was posted there was an increase of 7,317,000 bu. Total stocks are 69 1/4 million bu, or about 35 million bu smaller than a year ago. Chicago wheat stocks increased nearly 1 1/2 million bu to a total of nearly 4 million bu. The corn market started quite weak and yielded further ground as the session progressed. While recent rains have not covered all areas, it is felt that we are entering into a showery condition and that the coming week may be more optimistic than the 7-day period just ended. Weakness also spread to oats, and while there was no heavy liquidation, the close was reasonably weak. There are no big stocks anywhere. The total visible is less than 6 1/2 million bu, although there was an increase of nearly 2 1/2 million bu during the week. When the Northwest movement starts in earnest, there should be better accumulations.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 August 6, 1946

The overnight news was rather encouraging on corn. There had been rather widespread showers reported over Illinois and Indiana, the heaviest rains occurring at Terre Haute, Indiana, where more than 3 inches fell, and at Quincy, where they had 2 inches. However, around the lake, and particularly over the Chicago district, there was hardly enough moisture to wet the pavement, but in a general way the relief of recent days has been very beneficial. This was all borne out today when one of the private experts gave his views on prospective crop yields. The Galvin report estimated corn at 3,447 million bu, which was a reduction of about 40 million bu from the mid-monthly government forecast, but is still the largest in our history. As an offset wheat was increased about 36 million bu, while the oat crop promises a yield of 1,582 million bu, or about 111 million bu more than the last government figure. The latter by the way, if borne out, would be the largest on record, and thus one can now say that all three major crops have established highs for all time.

This was all construed bearish, with lower prices for corn and oats when our market opened. It is also significant because the Decontrol Board in considering the various phases of agriculture must take questions of this sort into account in coming to a decision. There are, of course, other arguments affecting the public interest which should not be overlooked. Only with a free market will the foreseen abounding feed supplies be attained. This is a statement made by the feed industry, and they also say that only with a free market on livestock and poultry products, meat, milk, and eggs, can the housewife indicate upon which product she would prefer increased production. It would be a sad commentary that in a year of such bountiful crops we reimpose ceilings, thus inviting a return of black markets, which have caused corruption, abuses, and utter disregard for the law during the crop-year just ended.

A good portion of the corn has gone through irregular channels of trade, handicapping honest interests which have attempted to abide by law and order. Corn for deferred shipment is being offered at about 12¢ under former ceiling levels, and the only reason that the spot market is so strong is the fact that there had been heavy dissipation of supplies earlier due to more than the usual feeding. Farmers unwilling to sell their product in black markets were compelled to feed in order to obtain a reasonable price for corn by selling it on the "hoof" rather than selling the raw product itself.

We have spoken in the past of the improvement in European crop conditions over last year. All cereal crops in Great Britain on July 1st were well above the ten-year average, and in the case of wheat and oats above that of a year ago. France is gathering a wheat crop which is expected to be 50% better than last year's crop, and there is no longer any doubt that the harvest of the Mediterranean countries, including Italy and Spain, will permit bread to be rationed on a more generous scale than that proposed for Britain. Heavier crops are also expected in Czechoslovakia, Holland, and Belgium. Broomhall has no reports from Eastern Germany where harvesting has started already, or from Yugoslavia and Poland, but he concludes that these countries must have benefited from the greatly improved weather conditions.

Primary receipts of wheat were comparatively small, amounting to 1,706,000 bu, compared with 2,040,000 bu last week, and 3,673,000 bu last year. Kansas City stocks increased to about the same extent that Minneapolis decreased. Our markets were fairly weak, in fact, several oat futures went into new low ground for the season, but there were fractional rallies owing to the fact that the market has been weak now for several weeks and some traders evened up. Possibly the dry weather in the Chicago district was an influence on local sentiment. It was announced from Washington that an order authorizing the Secretary of Agriculture to increase the wheat loan level was permitted in order to reflect fully the 90% of wheat parity as of July 1st. The new rates will probably average about $1.49 a bushel on the farm. The terminal basing points with this method of pricing will be increased about 3¢ per bu. One of the leading industries withdrew from the cash corn market almost entirely, except intimating that he might pay $1.85 for corn at Chicago. Kansas City wheat futures were weak, closing at or below the former ceiling price.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 August 7, 1946

The weather in our Northwest has not been altogether favorable, and some complaints are current that it is hot and windy, which has hastened the ripening of all grains. There may be some deterioration from these causes, particularly in test weight, but on the whole it is figured that when the government report is issued that it will show at least as much grain as when the previous estimate was made, and based on one of the private reports yesterday, there is even reason to believe that earlier figures will be revised upwards. Corn in the Northwest continues to make excellent progress, although all points need additional moisture soon in order to escape deterioration, and we presume that the same may be said of other parts of the country. A friend of ours, just returning from an automobile trip over Iowa, reports that the crop is almost perfect and present indications are that further moisture will be had tomorrow. So we see no reason at this time to feel that we shall have anything but a bumper crop, and probably close to 3 1/2 billion bu, which would be a record for all time.

The Canadian situation has probably been less favorable than ours, and the extremely hot weather which has extended over the Prairies has undoubtedly taken some toll during the past ten days. We have heard no figures mentioned in connection with the crop, except those which we gave in previous market letters, and probably the frosts which occurred two or three weeks ago have already been discounted, although it is always difficult to know exactly how severe these were until we come to harvest. The chief deterioration has been caused by the high temperatures and lack of rain, and it seems too bad that only scattered showers have fallen lately, so that adequate filling could take place. However during the session there were reports of rain with Alberta and Saskatchewan faring the best. According to the reports coming to us, harvesting of the spring-sown crops is expected to be under way in the South by the end of the week, and in the northern districts toward the end of the month.

Possibly for these considerations there was a little firmer undertone this morning, although one of the leading elevator concerns in the Northwest was reputed to be buying January corn, and very likely also November oats. This together with short-covering found the market rather bare of offerings, and it seems that in oats, even though a very large crop has been harvested in this part of the country, the movement to market has been very small, and it may take sometime yet before we build up reserve supplies. Another factor is the lack of cars, which is causing considerable apprehension in various parts of the country, although there should be some correction later on, and whatever grain has not been moved up to date will very likely be compensated by a better movement when transportation eases. The leading industry was not bidding for either new or old crop corn this morning, and apparently the offerings had been very heavy when cash corn was selling for more than $2 per bu. It is almost a foregone conclusion that with new-crop corn selling at or under January price levels, sooner or later there must be an adjustment, because even granting that a small quantity of corn will be carried into the next crop, few farmers will want to hold it if they feel that they will have to make a considerable sacrifice by selling it after December.

There was very little rain overnight taking the corn belt as a whole, and the northern districts of Indiana and Illinois are suffering the most, with little chance for relief at least during the next forty-eight hours.

Some attention was paid to the August grain allocations to distillers announced by the Department of Agriculture. The quantities thus consumed should not be large as the beverage spirits will be measured on basis of the mashing capacity of a company for a three-day period for all its plants, based on the daily average for the highest five consecutive calendar days since January 1, 1945. Apparently no greater liberality will be permitted until after the corn crop is definitely assured.

Primary receipts of wheat were a little larger and amounted to 2,055,000 bu compared with 1,964,000 bu last week and 3,183,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 116,000 bu.

There was no particular news but pressure was lacking in oats until the market scored an advance of about 1¢ per bu. In general, the trade is awaiting a good soaking rain and would also like to see a further accumulation of supplies in order to give the market a better balance wheel. In corn, only moderate buying was needed to boost prices but trade on the whole was only moderate.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 August 8, 1946

In an ordinary year after the size of crops is pretty well established, one can gauge future price levels reasonably well, for the reason that our domestic consumption is more or less constant factor. All one has to gauge then is the amount of export business, and in this connection world shipments which were published each week were a great help in arriving at the proper conclusion. There are many more uncertainties at the present time, and thus it is more of a gamble than a speculation in trying to evaluate wheat conditions. First of all, we cannot be entirely positive that the feeding of wheat will be kept down to the 150 million-bu-mark, although there is a fair chance of accomplishing that if the corn crop comes through, and if the price of corn is free so that there will not be the tremendous dissipation of supplies that we had last year. If by any chance it will be deemed a political expedient to temporarily reimpose corn ceilings, we surely hope that the price will be set high enough so that the economic repercussions will not be too great. We have in our mind a price of about $2.10. In arriving at such a figure, we are taking an average hog price of about $21.50, so that at the old ratio of 10 to 1 corn might sell at a reasonably high price basis Chicago, and therefore, it would become optional whether the farmer wished to feed or sell. Naturally hog prices might also decline from present levels in spite of the heavy demand for pork products, but in any case we think the important element is to try to eliminate black markets, which were so rampant last season and the mal-distribution which resulted therefrom. The farmer has plenty of money, and if we raise a good quality crop, it is quite possible that he may store a fairly large percentage unless price is satisfactory.

We are finding at the present time that some of the corn moving to terminal markets is from two to three years old, and it was only high prices that brought it out of hiding. Whenever the producer feels that he is sufficiently compensated for his efforts, he is willing to sell. But on the other hand, when a ceiling is invoked that is out of proportion to hog values, or to what he thinks he should obtain, the opposite situation exists.

Coming back to the problem of wheat, and assuming that we know approximately what our domestic consumption will amount to, we still have very little conception of exports except in a very general way. It is assumed that we shall clear about 250 million bu, based on statements made by PMA and CCC, and it is likely that at the present time we are shipping about 6 million bu wheat each week, but there are no figures to substantiate this estimate. The Local Office of "Commodity" announced late yesterday the purchase of nearly 5 1/2 million bu wheat at applicable seaboard ceilings, plus permissible markups. This buying raised the cumulative total to 6.6 million bu. There are transactions also in other districts, and we presume that this is acting as a support, whereas if the government were out of the market we might have gradually lower prices.

There were some scattered showers overnight, the heaviest at Omaha, where one inch of rain fell, with lesser amounts in central and southern Illinois, extending into Missouri, and also, scattered but light showers in Iowa. There was additional precipitation in Canada, which is likewise favorable, particularly in the Northern districts where harvest may not take place for another two weeks.

Primary receipts of wheat are not at all large considering the size of the crop. They amounted to 1,780,000 bu today, or practically the same as last week. This compared with 3,274,000 bu last year. Kansas City and Minneapolis stocks so far this week showed a net increase of 302,000 bu. There was not a great deal of feature here, but it seems with the scattered showers that we have had and generally showery condition there is not much support to the corn market. But on the other hand, oats have been strong and we believe that about 3 million bu have been taken out of the Pit during the past two or three days, presumably against export sales. Meanwhile, there are no stocks being built up at terminal markets. It may take sometime yet as the car shortage is still acute. About mid-session a very bullish crop report was issued on cotton, and while ordinarily this would not have much of an influence on grains, it did inspire some buying and there seems to be very little pressure from hedging sources.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 August 9, 1946

The most important overnight news was the rain which visited northern sections of Illinois and Indiana and the southern parts of Wisconsin and Michigan. This was the first real relief in a month and came somewhat unexpectedly, although our weather man had told us yesterday that we were in a generally showery condition, and we reported this in our market letter. Whenever there is a condition of that kind, it is impossible to tell the extent of rain that one can expect, but the official forecasts were not at all optimistic, claiming that just the ground would be dampened, and there were numerous articles circulated yesterday that the drought was more serious than was generally realized.

Later in the day we shall have an official estimate on the crops. The most important item is corn, which, of course, will not show the effects of the beneficial rains during the past four or five days, but nevertheless we are not looking for much of a reduction from their last figure. In the season just closed, more wheat was distributed than ever before in our history. Exports, including flour, set a new record of 386 million bu, and another important item was the amount fed to livestock, which amounted to 320 million bu, the second largest quantity ever fed. It is now claimed that civilian food supplies absorbed only about 460 million bu, which was the smallest quantity since 1934, and apparently this reduction was brought about by the higher extraction of wheat for flour under the government program. It is very likely that both our exports and the amount needed for feed will be drastically cut, so that even with the smaller carryover, we should add to our reserve supplies one year hence.

The only commodity which is really in very short supply is rye, and the last government report indicated a crop of only 20.9 million bu, which was 21% below last year's return and a little less than half the 1935-44 average. In addition to this the carryover on July 1st was only 2.4 million bu, or practically a minimum, and compares with 12.7 million bu last year. During the past season we imported 2 million bu, but what we shall be able to get from Canada during the next twelve months depends largely upon European demand and the final outcome of the Canadian crop. We shall undoubtedly have enough rye to take care of bread requirements, as this item accounts for only 7.3 million bu. Seed takes nearly 5 million bu, but last year we fed 11.3 million bu, and very likely that figure will have to be reduced. Likewise we consumed last year 8.3 million bu for alcohol and spirits, which also is too big an item when the outturn of the crop is so low. We exported somewhat over 7 million bu last year, some of it to the needy European countries, but as it turned out it would have been far better had we shipped additional wheat and kept more of our rye at home.

Schedules are set next Monday for hearings by the three-man De-Control Board on wheat, corn and oats. Livestock is scheduled for the following day. This is supposed to be the time at which the duly recommended committees of the grain trade can present their arguments, although an article appearing in the Wall Street Journal this morning would indicate that secret arrangements have already been reached for re-controlling many farm products, including corn, barley and rye. It is possible if corn is re-controlled it may only be for a temporary period until the new crop is beyond damage.

Primary receipts of wheat today totalled 1,418,000 bu, as compared with 2,190,000 bu last week and 3,565,000 bu on the comparable day of last year. So far this week, Kansas City and Minneapolis stocks show a net increase of 365,000 bu, and when the visible supply is posted on Monday it will be compared with an increase last year of 10,409,000 bu.

There was very little feature to the oat market this morning and the buying of the past few days, which had been accredited against export sales, seemed to be in the main lacking, and at the moment that market appears to be more of a two-sided affair. There was some evening-up in anticipation of the government report this afternoon, and furthermore, many traders prefe r to take a cautious stand until it is determined whether we are to have free markets in grains or controlled ones.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 August 12, 1946

Representatives of the grain trade are appearing today in front of the Three-Man De-Control Board to present their oral arguments for the decontrol of grains. As we understand the procedure, the personal interviews are taking place today. Briefs are also being presented for the Board's further consideration. In view of the government report of last Friday, forecasting the largest crop of grains in the history of this country, it is very difficult for those in the grain trade to realize any other action but that of de-control should be taken. The crop and carryover of wheat is estimated at 1,260 million bu, corn supplies about 3,600 million, and oats, 1,793 million bu. Experience, particularly of the past year, has shown that artificial price ceilings encouraged black markets and other illegitimate methods of trading. These black markets have disappeared since June 30th, and supplies have been channeled through regular trade sources. Naturally, there have been some increases in food prices since the demise of OPA on June 30th. This in part reflected higher costs, higher wages, and the elimination of subsidies, the latter representing a saving to every taxpayer in the United States.

We do not believe that any of the dire results of the elimination of price ceilings, as predicted in some quarters, have come to pass. It is true that old-crop cash corn advanced considerably, but there were many holes to fill up, and a large pent-up buying power to satisfy. However, cash prices of old-crop corn have declined at least 43¢ from the high point, and new-crop corn is now selling well under old ceiling prices. Livestock has had a considerable advance, particularly top-grades, although in a free market downward adjustments can be expected in the next few months. But even with the present prices it is questionable whether the cost of meat and butter have risen to the level commanded by the black market, which was patronized by a large percentage of our population. Washington sources in their philosophy of planning and controlling have always underestimated the stabilizing effects of free markets. As one economic writer points out at the time of the elimination of NRA the prophecy was made that wages and prices would collapse, while in reality wages were higher in 1935 than in 1934, and also higher in 1936 than they were in 1935. The rise in production and employment was steady, and total payrolls increased much more than the hourly rates.

In some quarters it is felt that wheat and oats will be decontrolled but that temporary controls may be put back on corn until at least the present prospects for the crop are fulfilled. This is bound to lead to confusion among producers, shippers, and the trade, and it would be much more desirable to take the "bull by the horns" and not re-control corn for a period of thirty or sixty days. At present corn is moving normally and a short period of re-control would befuddle the trade and possibly lead to the reestablishment of black markets. The industry is now adjusted to free trade, and it would be much more desirable to continue same. There seems to be no reason for reintroducing subsidies as probably never in the history of this country have the people as a whole been better able to pay their food bills without grants from the government.

Broomhall reports the past week is favorable to most European sections with the exception of complaints of drought in parts of the Danube Basin which is threatening corn. Harvesting is now under way in the central sections of the continent, and reports of yields up to the present time have been quite satisfactory. In the United States there was some moisture over the weekend in central and eastern Kansas, but otherwise mostly fair weather prevails. The Baldwin Elevator Co. report for Illinois comments that the wonderful rains of last week were perfectly timed for both corn and soybeans, and those who were out over the weekend in the territory adjacent to Chicago report decided improvement in this area.

Primary receipts of wheat today total 3,133,000 bu, as compared with 3,118,000 bu a week ago, and 5,329,000 bu on the comparable day of last year. When the visible supply was posted today, wheat stocks showed a total increase of 1,340,000 bu, this compared to an increase last year of 10,409,000. The total stocks now stand at 70,586,000 bu, or 44 million less than a year ago. In Chicago, wheat stocks increased 352,000 bu, for a total of 4,330,000; and oats increased 616,000, for a total of 3,565,000 bu.

In spite of the large crops, wheat and oats primary receipts are not being built up as yet. Cash premiums of the latter cereal remain strong and feeling for the present is more friendly in the oat market.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

MEMBERS:
CHICAGO BOARD OF TRADE
NEW YORK PRODUCE EXCHANGE
NEW YORK COCOA EXCHANGE
NEW YORK COFFEE AND SUGAR EX.
COMMODITY EXCHANGE INC.

UHLMANN GRAIN COMPANY
TELEPHONE HARRISON 6282
141 W. JACKSON BLVD.

MEMBERS:
MINNEAPOLIS CHAMBER OF COMMERCE
WINNIPEG GRAIN EXCHANGE
DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 August 13, 1946

The verbal arguments and briefs have now been filed with the Three-Man De-Control Board by the grain trade and allied industries. Results will be awaited on August 20th, the day set by law for the decision as to whether grains will be controlled or free markets permitted. Even though large quantities are still needed for relief purposes, with the bumper crops in prospect in this country it is difficult to visualize, if they are not de-controlled this year, when conditions will be more propitious. The different elements of the grain trade as a whole have been firm in their stand for free markets, and in the long run they are the ones who have devoted their life's study to the raising and marketing of grains. The transition period since June 30th has been orderly, and it would be unfortunate, indeed, if the situation is again confused by ceiling prices and price control.

The Food and Agricultural Organization of the United Nations apparently wants to set up a World Food Board, the function of which would be to try to stabilize food prices by buying up surpluses when and where they existed and selling them when and where they were needed. The thought is being advanced of a world ever-normal granary. This would mean a world monopoly and another blow to free enterprise. This country was founded and created on the precepts of freedom, and the original pilgrims migrated to this country to escape the European way of life. We have established the most prosperous nation in the world, with the highest standard of living. It is, indeed, unfortunate that certain elements in this country are furthering ideas which originated in Europe rather than following the American way. The study of our agricultural programs the last twenty years does not indicate that we have arrived at any satisfactory solution of our agricultural problems through controls. There is no reason to believe that a World Food Board, with its multiplicity of interests could accomplish for the world what we have been unable to do in our own country. World food programs in the past have been a history of broken promises. Even in the great crisis of famine and relief following the end of the war, commitments made by some of the other countries to UNRRA have been broken. The Argentine fell down miserably on grain promised for June, July, and August shipment. The English and Canadian governments have entered into a bilateral agreement for the Canadian wheat, which certainly prejudices world trade prospects, and there is no reason to believe that power politics and selfish interests will be eliminated in any so-called World Food Board. Such programs are usually detrimental to the interest of free enterprise and free trade and rather follow the pattern of dictatorship.

According to Sanford Evans, as of August 1st, which is the beginning of the new crop-year in Canada, the probable amount available for export and carryover is 69,827,211 bu, and for the fifty-two weeks of the present crop-year, he estimates the amount of wheat and flour exported as 344,479,307 bu. His report of August 7th states that extremely hot weather over the greater part of the Prairies has caused crops to ripen rather rapidly. However, since his report rains have occurred and several sources still estimate that the final outturn for the three Prairie Provinces will be somewhere around 500 million bu.

The market was erratic today, probably reflecting the views of many of the traders as to the action of the De-Control Board. One of the points well taken yesterday was that if corn controls are put on again, the Secretary of Agriculture would no doubt have to take them off October 1st as the law requires it if again the grain is not in short supply. No doubt during the next week or so there will be many rumors, but as in the past, nothing can be accepted until official word is given.

Primary receipts of wheat today continued at a much smaller rate than a year ago, totaling 1,803,000 bu as against 3,544,000 bu. The overall movement of grains is restricted because of the box-car supply and preference is given to the higher priced grains, with oats seemingly getting the least attention. Kansas City and Minneapolis wheat stocks have decreased 26,000 bu so far this week.

There were some very good rains in the eastern part of Kansas and our forecaster expects that there will be more overnight. This comes at a very opportune time for preparing this soil for seeding. Fair rains were also received in Alberta, Canada.

UHLMANN GRAIN CO.

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DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 August 14, 1946

With no decision expected from Washington on controls until August 20th, the trade is now paying a little more attention to actual grain news. The wheat crop is now practically a matter of actuality rather than prospect. Winter wheat harvest is well along in the northern areas and nearing completion in many sections. Spring wheat harvest is more than half completed in southeastern Montana to 75% completed in central Wisconsin. In the northern areas of the winter wheat belt yields are good to above expectations, while in the spring wheat area weather has been favorable for harvest. According to the government weekly weather and crop report showers in the north central and eastern sections of the corn belt were very beneficial for corn with considerable improvement noted. More moisture is still needed in sections of the lake region. The drought in the central and eastern part of Kansas and most of Missouri has been pretty well relieved, although dry weather took some toll in eastern Kansas, as well as deterioration being reported in Oklahoma, northwest Texas, and some adjacent areas. However, in the main corn belt the crop generally is in good to very good condition. Temperatures the past few days have been cool for this season of the year except in the far Southwest, although slightly warmer weather is now in prospect.

Favorable reports are being received from many sections of Europe and elsewhere, and according to Broomhall favorable weather conditions in India have prevailed, and the prospects for autumn crops are bright. Their source of information does not think the food situation in that part of the world is as serious as reported in earlier press dispatches. There are reports of excellent harvest in Rumania; Turkey will probably harvest a record crop of cereals. Greece reports that a good harvest is in session and will probably reach prewar averages, while in the Ukraine the harvesting of autumn-sown crops is extending daily. The Mediterranean countries appear to have outstanding harvests this year, and the import needs of Greece, Italy, and Spain will be substantially less than the past twelve months. In the United Kingdom warm, rainy weather in the latter part of July caused crops to mature rapidly and to overcome some of the earlier fears of a delayed harvest. According to Mr. John Strachey, the present bread rationing in the United Kingdom should cause a maximum saving in the consumption of wheat of approximately 15 million bu.

Primary receipts of wheat today totaled 1,526,000 bu as compared with 2,055,000 a week ago. There are no comparable figures for last year due to a holiday. So far this week, stocks in Kansas City and Minneapolis show a net increase of 120,000 bu.

The feed situation has become easier and prospects are for a much better situation during this new crop-year, with large feed crops and reduced animal population. Indicative of what happens when markets are free, the ceiling for bran and shorts was $46.50 a ton. Shortly after the removal of ceilings the price advanced to $70 a ton. But after supplies became more plentiful and the more urgent demand was met, prices again receded. Bran is now being offered at from $48 to $48.50 a ton, with the feeling generally bearish.

Many sections of the country are reporting severe box car shortages and this situation is no doubt contributing to the relatively small increase in the visible supplies of both wheat and oats. Another factor is undoubtedly the desire of the producers to market such products as corn, which is commanding prices higher than old ceilings, not knowing what the decision of the De-Control Board will be.

The situation in oats is a little more mixed at the moment. With the prospective large supply of feed grains, lower levels are eventually expected; but on the other hand, with cash premiums for prompt shipments being maintained above delivery price, it is rather difficult to see how any large quantities will be tendered for delivery, although at the moment of writing this letter we believe some oats are in the process of being tendered. Oats in the Northwest are also commanding premiums which will make it unprofitable to ship to Chicago in fulfillment of contracts. Of course, the big movement from the Northwest of that crop has not started, although it will undoubtedly be handicapped by the box car situation. There is a possibility that stocks may not be sufficiently built up in this market until after the close of Lake navigation.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 August 15, 1946

The writer appeared before the De-Control Board early this week, and addressed himself to that body with respect to corn. It was pointed out that the yellow cereal was the most important from dollar standpoint than any other cereal. This year, for instance, we have raised twice as much corn as we have oats and three times as much corn as wheat. Nevertheless, it is generally conceded that 85% of the corn never leaves the county in which it is grown. Therefore, it is obvious that the great bulk of our corn supply cannot be controlled, insofar as price is concerned, because the great bulk of it is fed. The primary receipts of corn for ten years have averaged about 238 million bu per year, or probably about 10% of the crop. If on this small quantity it is the purpose to control prices at the expense of inviting a return of black markets, corruption, and disregard for law and order, we feel that it is a mistake in judgment. The inflationary aspects are certainly not great, particularly with the new crop futures already selling at a discount under the former ceiling. Any group of men charged with such responsibility must weigh the situation carefully before coming to a decision on August 20th.

From our point of view we would regard it as a national tragedy to reimpose artificial ceilings when there is already a substantial readjustment between the price of old corn and the new crop positions. There have been only five corn crops in the history of the country in excess of the 3 billion-bu mark. Four of these were raised in the past four years, but owing to the fact that the price was held down, supplies were dissipated, and we have found that for this cereal consumption is just as variable as production. Even during the drought years, when we raised only 1,448 million bu corn in 1934, the average price at Chicago was 86¢ per bu, while in 1936, with a crop of 1,505 million bu, the price here averaged $1.18 a bu. This was all before OPA and indicates that supply and demand is an important factor. When a market is free, open, and competitive, it makes the automatic adjustment of production to consumption. Not only do we have the largest corn crop in the history of the country, but now we are told that the number of cattle on feed for market in the eleven corn belt States on August 1st was 45% smaller than the previous comparable date. This is the sharpest decrease in August numbers ever recorded. Therefore, there is every reason to believe that the demand likewise will be less great, and from point of view of public interest we see no reason for reimposing restrictions at this time.

With the government repeatedly stating that at least 250 million bu wheat will be exported this season, it is difficult to understand why private export interests cannot obtain permits to do business. For example, regular exporters are ready and willing to offer wheat, delivered Laredo, Texas, at $2.11 for shipment to Mexico, while the CCC, according to our understanding, and according to reports that we have received direct from Mexico, is asking $2.50 a bu, or a price nearly 40¢ higher. From this same source we learn that CCC is adding 30¢ bonus, which it paid sometime ago to obtain wheat and is also taking into account the 15¢ raise in ceilings. We are also told that the same pertains to wheat exports to Brazil and to Switzerland where the private trade would do the business at a reasonable price, but if purchases are made from the Commodity Credit Corporation, the rate would be anywhere from 40 to 50¢ a bu more. Then, too, the government is buying very little owing to the fact that they are unwilling to pay higher than the previous ceiling but by their intimations that they will buy such tremendous quantities, it is undoubtedly a psychological factor in holding up the domestic price, while at the same time it is causing friction on part of our foreign customers, who feel that they are being asked to pay an exorbitant value as compared with the going rate.

Statistics were relatively unimportant, but there had been fine moisture in central and southern Illinois, also scattered over Indiana, while heavy rains were reported in Missouri. This gave us a weaker oat market, in spite of the fact that premiums are pretty well maintained. Corn was weak, at one time declining nearly 5¢ per bu, but a leading elevator concern in the Northwest supported the market on the break.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO, 4

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KANSAS CITY BOARD OF TRADE
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CHICAGO MERCANTILE EX.

August 16, 1946

The oral testimony before the De-Control Board has been concluded, nd between now and August 20th that body will have to go over the assive evidence that has been presented. The briefs in many instances re very voluminous, but whether the statistical data will be given reference, or whether political factors will receive more considera-ion is still a question. There is no doubt that the consumer groups avor recontrol, although testimony otherwise was overwhelmingly gainst ceilings. Naturally those people with fixed incomes, or in the ower income bracket groups, want to see commodity prices held down. hey have even gone so far as to ask for a return of subsidies during he transition period. In many cases it was shown that while prices fter the demise of OPA on June 30th had risen rather sharply, the re-djustments have carried prices back to near-ceiling levels in many ases, and in the instance of oats and new-crop futures of corn, prices re considerably below the former ceiling level.

There are one or two cereals that are the exception to the general ule in that supplies are not abundant. Rye, particularly, but when it s considered that the average use of this cereal for bread in the eriod 1935-39 was only 7.3 million bu, it can readily be seen that the mount is too small to be of importance in the whole economy of the ation. When it is further analyzed, rye yields per acre are the oorest of all our grains. For example, the ten-year average yield of ye was only 12.2 bu per acre, while the same yields for other crops ere, barley 22.8, oats 30.7, corn 28.5, and wheat 15.3. In the past ive years when wheat and corn yields were high, the comparison was ven more unfavorable to rye. It, therefore, is apparent that this ereal is entitled to special consideration; that unless price remains econtrolled, there may be further difficulties in the future to get production sufficiently high to meet even our rather low domestic eeds. The paramount public interest in this grain is to encourage reater production. It cannot be done by cutting down the price incen-ive on an already unfavored crop. Since the price of rye cannot pro-uce a damaging effect upon the cost of living, it would not be in the ublic interest to discourage further the acreage of this crop by the mposition of price ceilings of June 30th, or near that figure. Here, gain, we say that the laws of supply and demand can do a better job han any artificial scheme that presupposes that the secondary conse-uences can be ignored.

For the time being the farmer is not in a selling mood. Even with he unprecedented wheat crop in Oklahoma, there is a very small move-ent from farms; in fact, hardly enough to enable the mills of that tate to replace their current grind. Some of the holding tendency ay be due to income tax considerations, and the same may be true in ats in various sections of the country, although very likely the car hortage may also be responsible for the restricted movement of grain. n any case, once it finds a resting place on farms, it is not easily islodged. Some of the industries finding it difficult to buy oats reely in the cash market are making purchases of futures, probably ith the idea of taking delivery to fit their needs.

Further rains were reported in southern Illinois, Missouri, and astern Kansas. It will continue humid with a showery condition pre-ailing, all of which is favorable. The only exception is a forecast or frost in Alberta which might occur tonight in the clear areas.

Primary receipts of wheat were 1,606,000 bu, which was a little arger than last week but compared with 6,437,000 bu last year. Kan-as City and Minneapolis stocks show an increase of 64,000 bu for the eek. When the visible is posted Monday, it will compare with an in-rease last year of 6,638,000 bu.

Trade was rather dull. Stock market was reactionary, and there as no particular incentive to buy grain, but sentiment in oats is robably a little less bearish owing to the fact that the nearby posi-ions remain strong, and there are no accumulations at terminals. Corn as reasonably weak at times, influenced by the fine crop prospects, nd barring an early frost it looks as though we might finally produce 3 3/4 billion bu. Minneapolis wheat futures were slightly lower. Spot arket was 3 to 4¢ lower, with one of the leading mills pulling out f the market, but in the Southwest premiums and prices were about nchanged.

DAILY MARKET LETTER

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MEMBERS:
MINNEAPOLIS CHAMBER OF COMMERCE
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DULUTH BOARD OF TRADE
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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 August 19, 1946

The trade is speculating as to the decision of the De-Control Board, and as we understand it an announcement will be made tomorrow evening after all factors have been carefully weighed. We are convinced in our own mind that if the case is settled on its merit that grains and feedstuffs will not be restricted, for the reason that we have raised bumper crops of wheat, corn, and oats. In other words, when large supplies are known to exist in a free and uncontrolled market, practical experience has shown that when immediate supplies temporarily become tight, a few cents advance in price will bring out sufficient amounts of grain to amply satisfy that immediate demand without distorting values or disrupting normal trade practices through regular and legitimate channels. If we are wrong in our analysis, and if other conclusions are reported by the De-Control Board, it would mean that perhaps never could we expect a time when by these measurements there could be an argument against a controlled grain price. However, it must be recognized that certain political factors are going to be considered and that labor has virtually threatened further strikes unless living costs are held in line. However, that element may perhaps not recognize that if supply and demand factors are permitted to function, we may have more orderly markets and actually lower prices than if artificial stimuli are again resorted to.

Weather over the week-end was entirely satisfactory. It had not been too cool in Canada and the frosts that were forecast a few days ago failed to materialize. The Texas Panhandle received a considerable amount of moisture, and there were also rains in western Kansas. There was also further precipitation over eastern Iowa and portions of Illinois and Indiana, with clearing conditions now reported. The corn crop should be making wonderful progress, and barring an early frost we should not be surprised to see a final yield of 3 3/4 billion bu. As an offset, it must be recognized that the car situation is very acute, and according to some experts we may not have complete relief for two years even though about 40,000 cars are presently on order. There was a report from Minneapolis that 1,300 country elevators in Minnesota, the Dakotas, and Montana are now plugged as the result of lack of box cars, and it seems almost impossible to move grain to terminal and other markets. This is causing a rather firm tendency in the nearby oat futures, and for the past two days there has been considerable covering, possibly also because of the allocations for export, and the drain on supplies is more noticeable than if we had large reserves built up.

We have been asked on several occasions what effect the removal of restrictions on corn inventories would mean on prices. This new amendment does not alter any restrictions on the use of corn or other grains in the manufacture of food or feed products, but it will aid in the marketing of the new crop corn in a more orderly manner because it permits feed manufacturers, feeders, processors, and others to purchase their seasonal requirements irrespective of inventories on hand.

Little attention was paid to reports that the European harvest would show an increase of about 30% over the small output of 1945. However, this news had been pretty well known, as it was reported earlier that conditions in the Balkans were generally better than ayear ago. Scandanavian countries have about average prospects while in the Mediterranean area good wheat crops resulted both from increased seedings and more favorable weather. It is only in Central and Eastern Europe that conditions are less favorable because of inadequate rainfall in the spring and early summer.

Primary receipts of wheat were 2,860,000 bu compared with 4,675,000 bu last year. The movement ever since the beginning of the season has been disappointing, but possibly farmers are waiting to see what the De-Control Board will do. Likewise, the visible supply increased only 393,000 bu. The total of 71 million bu is about 50 million bu less than last year. Chicago stocks increased slightly to a total of 4 1/2 million bu. Due mainly to the light receipts and the fact that no reserves are being built up, markets were firm. This refers to corn also, which was indifferent at the start but finally recovered.

In our market letter on August 15th, we stated that the CCC, according to information that came to us, was offering wheat for export to Brazil and to Switzerland at higher prices than the offers of the private grain trade. We want to correct the statement, however, as we are now told that the CCC has not shipped or sold any wheat to Brazil. Oats were firm. The visible supply amounts to only 11 1/2 million bu.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 August 20, 1946.

A year has passed since the merciful words were spread around the world to cease fire. Yet Washington does not yet admit that the war is over, but instead many war measures are still adhered to. Despite the largest crops in the history of the country, the grain trade must go before a De-Control Board with head in hand, pleading that we have no further restrictions. The fateful answer will be given tonight, and in the hands of three men lie our destiny. There are all kinds of guesses and rumors as to what the decision will be, but apparently the secret has been well kept, and nobody can tell for sure whether ceiling prices for all grains, or for some of them, may be reimposed. The over-all price level cannot be considered excessive in view of parity, which has risen almost consistently each month since the formula was adopted. When it is taken into account that the government is willing and anxious to buy 250 million bu wheat for famine relief at the ceiling price, one hardly wonders that values have not declined. Whether this quantity of grain will finally be needed in view of the better crop situation in Europe remains to be seen.

It is officially reported that this year's wheat crop in Hungary will be three times larger than that of last year, and the corn prospects are also promising. Portugal reports a poor barley crop and there are fears of a corn shortage, but the other crops are good. Russia is experiencing some trouble through shortage of labor and equipment, but a good harvest is generally expected for wheat and barley. In Denmark, the outlook is better than last year by a considerable margin for wheat, oats, barley, and rye. Information coming to us direct from France is to the effect that the wheat crop is sufficient for home use, and there will probably be no imports this year. The only exception might be the small quantities of amber durum needed from Canada. It is suggested in view of a good crop of straw and hay, both in France and in North Africa, that this is all very satisfactory, not only for the feeding of cattle at home, but that there may be some export shipments later on.

When our markets opened this morning there was very little to influence them. Weather was mostly cool and clear except that a few more rains had been reported in the Texas Panhandle, which, of course, is good for the sorghum crop, and elsewhere we believe that there is no reason for concern, particularly with the copious moisture which has occurred over the corn belt in the recent ten days or two weeks. There was a statement attributed to Mr. Gardiner, Canadian Minister of Agriculture, who, when interviewed on the eve of his departure for a World Food and Agricultural Conference in Copenhagen, stated that the July frost coupled with the hot, dry spell had reduced by 20% earlier estimates of the half-billion-bu crop. He ventured the opinion that Canada would still raise 400 million bu, which would be a substantial boost over the previous season. From all reports that we are getting from our correspondents we are led to believe that Mr. Gardiner may be a little on the pessimistic side. The crop is far enough along so that fairly accurate estimates can be made. For example, in southern Alberta cutting is near completion, while in Saskatchewan wheat cutting is quite general now, ranging from 5 to 30%. In Manitoba, cutting is well advanced in the southern districts to 10% in the western and northern parts. Recent rains in the three provinces have caused some delay in harvesting operations, but on the other hand, they have considerably improved pastures and the wheat in those areas, where the crop had not yet reached maturity.

Primary receipts of wheat amounted to 2,237,000 bu compared with 1,803,000 bu last week and 2,808,000 bu last year. Kansas City and Minneapolis stocks so far this week are about a standoff. It seems rather difficult to build up the visible supply unless we have a heavier movement from the country.

The oat market was for the most part firm. At times some of the futures receded below the previous closing level, but there was considerable buying that looked to be against export business. The nearby positions are still strong, and here, too, there is little chance for a carrying charge, with comparatively small stocks at terminals. Corn was likewise higher, although at one time there was a fair amount of selling from the Northwest. Despite the fact that we are going to harvest an enormous crop, hogs are selling at a price that still encourages feeding, but we believe that it will be on a smaller scale than last year.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 August 21, 1946.

The most important overnight news was the decision rendered by the De-Control Board. It directed that, "wheat, rye, corn, oats, feed oats, mixed feed oats, barley, and grain sorghums, and any livestock or poultry feed processed or manufactured entirely from any one or more of these whole grains shall not be regulated," Their decision was based on a number of factors, but mainly the estimate of prospective large supplies, and also by price behavior of the commodity markets. As they pointed out, the price of futures for corn, oats, and barley for December delivery had already dropped below the June 30th ceiling price, and the same considerations applied to a lesser degree in the case of wheat and rye. Secondly, they held that the maximum prices that may be established for these grains are required by law to be at least as great as parity prices. The third consideration was that even though prices of these food and feed grains had risen sharply and to unreasonable levels upon their release from controls in July, since that time and with the approaching harvest season, there had been a rapid return to more reasonable levels. In view of all these three considerations, the Board was unable to find that the resumption of controls would serve the public interest. It was a courageous verdict, but yet, as we have pointed out, if the Board could not decontrol in a year when wheat and corn yields were the largest in the history of the country, and oats the second largest, then there would probably never be a time when the restrictions should be removed.

There was very little news overnight besides the foregoing to influence price levels. It is figured, however, that with meats being placed under ceiling again, and OPA threatening to bring prices close to the June 30th level, it will not be as attractive to feed, and that consequently our carryover reserves at the end of the season may be considerably larger than otherwise. For some time it has been known that Europe would take smaller quantities from the exporting countries than last year. Russia is always an unknown factor, and despite the terrific battering she took during the war, the Soviet Union exported grain last year to Czechoslovakia, Poland, Finland, and France to the extent of at least a million tons, or about 37 million bu. As Broomhall points out, Pravda and other Russian newspapers claim that this year's harvest is a good one, that it is early, and tha the acreage is some 20 million acres larger than a year ago. Several members of the Department of Agriculture, headed by Mr. Dodd, left Washington two days ago, to study the extent to which European agriculture could be rehabilitated. Their aim is to ascertain not only the current food situation, but also future prospects. They have already made a tour of the U. S. zone in Germany, and have dropped in on the UNRRA Conference at Geneva. They will go into Greece, Austria, possibly the Balkans, and return by way of the Western European countries.

The International Wheat Council held a meeting in Washington a few days ago, but we do not believe that the Anglo-Canadian Wheat Agreement was discussed, possibly for the reason that it had been agreed by the signatories that the contract would be modified if it conflicts with other arrangements or agreements to which Canada and Britain have adhered. We have often wondered whether Australia was consulted when the original arrangement was entered into.

Primary receipts of wheat amounted to only 1,638,000 bu compared with 1,526,000 bu last week, and 2,476,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 47,000 bu.

It is quite apparent that there is no accumulation of grains at terminal markets, and until we get reserve stocks, naturally some caution must be exercised on the bear side of the market. However, the trade figures that our feeding operations for the coming year will be smaller, and this had quite a bearish influence on corn, with the price at one time breaking more than 4¢ per bu. Oats were also weak in sympathy.

After the close we shall have the mid-monthly government report giving new estimates on the yields, and it is generally considered that while there has been deterioration in isolated localities, particularly in the Northwest, that the main weather over the corn belt has been favorable, and we are looking for an increase in the estimate. In Iowa, the crop is in very good to excellent condition, except only fair in the northwestern portion of the state. There were substantial rains in sections of the south central Plains during the week, the middle Mississippi and Ohio valleys, and according to the Government Weekly Weather and Crop Report considerable improvement was noted.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 August 22, 1946.

In the spring of 1914, we had the first prospect for a billion-bu wheat crop. The final yield was only about 900 million bu, but in any case it was the largest up to that time. We recall rather vividly that in May and June of that year the foreign inquiry for grain was tremendous. Virtually everything that was offered overnight was accepted by Germany, and as events later proved, supplies were being built up for the war which followed. We find at the present time that even though the European harvest is considerably better than last year, many of the countries are asking for offers of wheat from here. We do not necessarily infer that another war is imminent, but in any case the feeling abroad is very tense, and when it becomes necessary for the U. S. to send an ultimatum to Yugoslavia, it is a clear indication that all in Europe is not peaceful. Of course, there may be other factors contributing to the situation. Malnutrition is reported on the Continent to an extent never before dreamed of. While it is true that the harvest will bring some relief, Europe is already mindful that if they wait too long for purchases to take care of their requirements for the latter six months of the crop season, they may encounter difficulties. In any event, there is not a great deal of business being consummated for the reason that the Commodity Credit Corporation is rather low on its holdings of wheat. The private export trade is eager to do business, but finds it difficult to obtain permits. The futures market has not yet been re-established in Chicago possibly for the reason that it cannot be definitely stated that in the event of an upturn in prices, the Decontrol Board would reverse its action and reimpose restrictions on wheat or possibly on other grains. Thus the future is obscure and many uncertainties are still ahead.

After the close of the market last night, there was a mid-monthly estimate of the corn crop, placing the yield at 3,442 million bu. This was a decline of 55 million bu since August 1st, but yet the indicated crop will be one of record size. It seems that the continued dry weather prior to August 15th in the lake area and Plains States, most severe in southern Michigan and southern Kansas, was responsible for most of the decline. Illinois actually showed some improvement with estimates now running 515 million bu, or an increase of about 18 million bu since earlier in the month. There was no change for Iowa, but a rather sharp decline in Nebraska where deterioration has taken a toll of some 30 million bu. The trade accepted these new figures in a slightly bullish vein, but weakness in the stock market, which became very pronounced, probably restrained buying activity.

Primary receipts of wheat were rather small, amounting to only 1,744,000 bu compared with 1,645,000 bu last week, and 2,753,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 80,000 bu.

Values were rather firm, and this was true of both corn and oats. Some consideration is given to the fact that of the country's 154 distillers only about one-fifth of their capacity was turned out during the first six months of the year as a result of tight government controls over the industry. Should there be any change in that direction it would, of course, create a much broader demand for corn. Moreover, it seems possible that when parity prices are published on August 29th that they will be higher. Even if they are not, corn at Chicago when it sells at about $1.30 per bu is pretty close to the loan level, and this is apt to be a sustaining influence. In any case, corn is still the best feed for all purposes, and assuming that hogs will sell at a fairly satisfactory price, a good quantity of corn is bound to be fed, although nobody can be sure yet whether the quantity will be too large in view of the reduction of animals on farms. There are a good number of holes to fill when the new corn is available, as our carryover onNovember 1st will be moderately small.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 August 23, 1946.

After the close of the market yesterday the Directors of the Board of Trade made their decision to re-establish futures trading in wheat next Monday. The new contracts will be for the delivery of grain in January, March, and May of 1947. There are several factors that were very likely responsible for this situation. First of all, the Decontrol Board has removed the immediate danger of placing ceilings on grains, and thus it is felt that we shall have free and open markets, particularly since we have raised bumper crops of wheat, corn, and oats. It is suggested that there may be surpluses in all three of these grains. Consequently, there is the necessity for hedging operations, which have already been an important factor in corn and oats. Now that it seems likely that exports of wheat will be returned to private hands rather than being handled solely by the Commodity Credit Corporation, the flow of grain will be considerably eased if it can be handled through normal hedging operations. For the past two or three seasons when we had ceilings, the farmer was somewhat reluctant to move his grain to market. This became all the more pronounced when maximum prices were reached, and the farmer was always hopeful that the government might do something to raise ceilings, thereby giving him a better opportunity for securing a still higher price. However, when the quotations are clearly posted and are registered over the radio so that everyone knows what the fair market value is at a given moment, there seems to be less tendency to hoard. So we believe that since our domestic consumption will probably be somewhat smaller than last year, owing to the fact that less wheat will be fed to livestock, we shall be able to spare fairly large quantities for export and still add to our reserve supply next July.

Secretary Anderson, in speaking of the support price for agriculture, came to more or less the same conclusion, and he stated that looking to the prospect that world food demand on this country may dwindle considerably after this year, the high level of prices might provide an incentive which would lead farmers to eventually produce more than is needed. He further stated that some thought is being given to suggestions that price support programs should be linked to a system of production controls. In other words, that the farmer would only be guaranteed those high levels if he produced within the goal set by the Department. He pointed out that in spite of a smaller acreage for potatoes this year, our crop is the largest on record, and that the government found it necessary to buy many million bushels in order to support the price. He would like to avoid a repetition in the handling of surpluses for other commodities, but if it came to the question of vacating support prices, say, for wheat and corn, it would probably take an Act of Congress to effect such a change.

When our market opened this morning it was influenced by a little better news from Europe, chiefly with respect to Yugoslavia. This was reflected by higher quotations for securities and relieved some of the tension in grain which was experienced yesterday. As for weather, there was little in the overnight news except a few light showers in Missouri and Kansas, but on the whole there seems to be the feeling that the ground in the Southwest is in somewhat better shape for winter wheat planting.

There is nothing definite yet on the size of the Canadian wheat crop, but cool to warm weather accompanied by light to heavy rains during the past week were regarded as very favorable for the development of late-sown crops, although caused some delay to harvesting operations. According to the Canadian Pacific Railway report, representative points of all three Provinces show a good average of outturn, and the past week indicates improved crop and harvesting conditions.

Primary receipts of wheat were about in line with the recent movement and amounted to 1,859,000 bu compared with 1,606,000 bu last week and 2,846,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of about 40,000 bu. There was not a great deal of feature to the market, except a report circulated on the floor that the Government would try to make more boxcars available for the grain trade. This, together with liquidating orders due to more settled conditions in Europe, gave us declines in both corn and oats.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 August 26, 1946

The first corn crop in excess of 3 billion bu was raised in 1920, when conditions were unusually favorable. However, it was not until 1942 that large crops became the rule rather than the exception, and, in fact, the last five crops have been over that figure, but this was not just an accident; it was due to the wide use of hybrid seed. Commercial hybrid seed corn was first produced in Connecticut about 1922. Hybrids adapted to the corn belt became available in 1929. In 1933 a total of about 143,000 acres were planted with hybrid seed, and in 1945 about 60.3 million acres were planted. The adoption of hybrid seed has been exceptionally rapid in the north central States where adapted hybrids were available to farmers earlier and where corn is the most important farm crop. The expansion with these new seed varieties indicates that the acre yields are increased about 20% over the yields of open-pollenated varieties. Strangely enough, the percentage increase is usually about the same on good as on poor land, which tends to give additional advantage to higher yielding areas, because expenses do not rise in proportion to the increase in the yields. There are some scientists who feel that the next big advance will be in the use of nitrogen phosphate fertilizers, which may prove even more revolutionary, and which likewise may give little advantage to good soil over poor soil, in that both will yield equally well when the soil is properly treated. Thus the future of agriculture is very bright, and if these fertilizers are used for other grains as well, we believe that great progress will be made in higher production all along the line. Added use of fertilizers will become almost a necessity, because farmers must bear in mind that the higher yields of corn or of wheat, or for that matter, of any grain, remove more fertility from the soil and this will also require better crop rotation, more livestock, to keep the ground in good condition.

When our market opened this morning, it was influenced by the very fine moisture in the Southwest. Rains were rather widespread. Altus, Oklahoma received over 3 inches, as well as a good deal of rain in that vicinity. Salina had more than 3 inches of rain yesterday, while Amarillo, Texas, received 1 inch of rain. There were a good many scattered reports elsewhere, and this, of course, is all favorable for fall work. In many places sunshine and dry weather are needed to bring the corn to proper maturity. This is especially true for the more advanced corn, which is now in the heavy dough stage.

On Saturday some attention had been paid to an announcement from Washington that as much as 400 million bu all grain might be exported. This compared with 250 million bu wheat and flour previously set as a goal, but, of course, there is no assurance whether these larger quantities will be needed, as much will depend on the other exporting countries, such as Canada, Argentina, and Australia. The Department of Agriculture points out that total wheat supplies in these four countries, including the United States, on July 1st amounted to only 373 million bu, which was 450 million bu less than a year ago. Those stocks were at the lowest levels since 1938, but, of course, with bumper yields in North America and a prospective good outturn in Southern Hemisphere, this should all change, and particularly in this country, with the large feed crops, which will undoubtedly require a smaller amount of wheat for livestock.

Primary receipts of wheat amounted to 2,923,000 bu compared with 2,237,000 bu last week and 4,568,000 bu last year. When the visible supply was posted there was an increase just short of 2 1/2 million bu. Total stocks in all positions are 73 1/2 million bu, which is about 56 1/2 million bu smaller than we had a year ago same period. Chicago stocks increased 223,000 bu to a total of 4 3/4 million bu.

We had the first trades in wheat today. High prices were made right after the opening, and thereafter there were some declines, but in view of the uncertainties we believe that markets will be quite inactive for the time being. The fact that the CCC is willing and anxious to export large quantities naturally restrains sellers, but on the other hand it is generally known that with the tremendous supplies back in the country that after the car shortage is no longer a factor, we may build up reserves.

Oats and corn were lower; there was no particular pressure, but weather is satisfactory and buyers are rather cautious.

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CHICAGO MERCANTILE EX.

August 27, 1946.

Much has been said and written about the enormous crops that were produced during the war, and, of course, all credit is due to the farmers of this country that we have had such a grand record. Often it is claimed that doubling of the price received by farmers for their products furnished the driving force which increased production, and at other times it has been stated that coupled with this financial encouragement the patriotic incentives were great, so that together with education and pursuasion all-out production of our strategic products became a realization. It is true that farmers and their families worked long hours and utilized to the best of their knowledge every possible means of increasing output. They had the advantage of better seed and better farming technique, but possibly as important as anything was the mechanization of their equipment that enabled them to accomplish their purpose. The number of tractors on farms gradually increased from less than 250,000 in 1920 to over 2 million in 1945. Increased use of mechanical power and associated equipment usually means more total production, but its most important effect is that a much larger share of the product goes to market. As mechanical power is substituted for draft animals, the land formerly used for horse and mule feeds becomes available for producing commodities for human use. It should be remembered that the shift to mechanical power from 1920 to 1945 made available about 55 million crop acres, or about 15% of the available crop land for the production of marketable commodities. In other words, during World War I this large area of crop land and millions of acres of pasture had to be used for producing just the feed for horses and mules.

Before our market opened this morning, there had been word from Washington that the CCC was planning a new policy for the purchase of wheat. It had beenknown for the last two or three weeks that they were getting practically nothing by merely bidding the old ceiling price, and apparently with the comparatively small receipts at terminal markets mills and processors were taking the bulk of the arrivals. There is nothing absolutely sureabout a change in policy, but at least it is suggested that there may be an advance of about 8 1/2¢ per bu, which it is claimed is about the parity increase since the end of controls. Should this new plan be confirmed, and should the government buy at the higher rate, it will, of course, have a stimulating effect, as government purchases always have more than the usual influence onmarkets. We recall last summer and fall when the CCC overstayed its market in the Northwest. Nobody could understand for a long period of time why they delayed their purchases, but when they finally became nervous and bought, prices were drawn like a magnet toward the ceiling level, and after the heavy run of wheat was over, it became more difficult for them to acquire supplies. We recognize that they will not buy as much wheat and flour this year as they did last season, but yet 250 million bu is a large quantity, particularly when it has to be drawn mainly from the accumulated reserves at the various markets of the country. Up to now we have had an acute car shortage, and as we have pointed out repeatedly our visible supply is considerably smaller than it was in 1945. Thus if there is a sustained buying program, it will very likely keep prices from declining much. Our futures were somewhat higher, although there was no big wave of buying, but yet enough to give us a rather firm undertone.

Primary receipts of wheat amounted to 2,257,000 bu compared with 1,638,000 bu last week and 3,397,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 45,000 bu.

Markets were rather firm early in the session, and as we stated above the possibility of higher prices being paid by the CCC for exports was an influential factor. However, the stock market became very weak and this apparently brought some liquidation into the various pits. Little attention was paid to a break of about 2¢ per bu in the spot market at Minneapolis for wheat. We believe that our trade here is rather small, although yesterday there was 833,000 bu transacted in the various futures, which is not bad for a start.

Oat prices were quite strong at one time, as the cash article is commanding a good premium over the futures, but it took only moderate selling to bring about fair-sized reactions.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 August 28, 1946.

There seems to be quite a debate between Secretary Anderson and Mr. Porter as to ceiling prices for meat and cattle, and it looks very much as though the Department of Agriculture were determined that the price of livestock shall be set a higher levels than apparently OPA is willing to allow. Mr. Porter had intimated for some time that prices would be rolled back to the level which prevailed on June 30th, but officials in the Department of Agriculture seem to favor price increases for cattle and hogs, suggesting an advance of about $2.00 per CWT, contending that it is necessary to encourage farmers in order to get the meat production that is needed in this country. Whether this will mean th t there may be a postponement in announcing new livestock ceilings is difficult to say, although for the time being packers are unwilling to buy livestock because of the uncertainty, and thus the industry is for the time being at least marking time.

This whole matter, however, has affected grain markets at least to the extent that if we are to have higher meat prices, it will probably encourage extra feeding, and when our corn market opened this morning prices were higher, and the same was true also, but to a more limited extent, of oats. Our own opinion is that there are enough grain and feedstuffs in the country to take care of all requirements, so that in the final analysis we shall have a bigger carryover than the previous season, but on the other hand we also recognize that, insofar as corn is concerned, there are going to be many holes to fill in, and for that reason we have not been bearish on this commodity ever since it declined to about the $1.30 level.

After the close of the market tomorrow we shall also have new parity figures, and a good many people are expecting further advances as so many consumer items have risen since June 30th. Based on the September 30th parity price, the corn loan will be fixed, and it is altogether possible that adding freight to the farm loan price that it may bring a value at Chicago close to $1.30 per bu, but, of course, this is only our guess. At least it suggests the possibility that a fair amount of corn may be impounded, and this, too, is a sustaining factor. While the recent arrivals at packing house centers have been very large, meat production under federal inspection for the week ended August 24th totaled 211 million lbs. This production was 19% below the 260 million lbs produced the preceding week, and was actually 25% below the 280 million lbs for the corresponding week last year. Probably there has been some upward revision in the past two or three days, but still this country is eating well, and the per capita consumption is much larger now than it was just prior to the war. On the other hand, over a period of ten or fifteen years feeding operations have become much more efficient. In the corn belt areas there has been a reduction of 10 to 15% in the quantity of feed used per 100 lbs of porkobtained. The number of pigs saved, as well as the prevention of disease, the improvement of breeds, and the feeding of balanced rations all tend toward increased efficiency in the use of feed.

Overnight weather was certainly favorable in the plains area of Texas, where the drought seems to be pretty well relieved, and they had up to 2 inches of rain in many localities. There was also moisture in western Kansas. However, cool nights have been unfavorable for the best growth and development of corn, and what is needed now is warm, sunny weather, with additional moisture in many sections of the lake region and Western Plains. During the week beneficial rains were noted in most portions of the corn belt, but they were apparently too late or insufficient for material improvement in some fields.

Primary receipts of wheat were rather light, amounting to only 1,434,000 bu compared with 1,859,000 bu last week, and 3,361,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 101,000 bu.

Feed grains, as we stated earlier in this letter, were quite strong early but about half hour before the close, it became known that Mr. Anderson had directed OPA to establish ceilings on livestock, calling for increases of $1.40 per cwt on hogs, and $2.25 for cattle, Chicago basis, over the limits in effect on June 30th. This was less than had been expected and caused some selling in corn. We understand OPA has not agreed to this demand. Oats, however, only weakened in sympathy, and it seems that the strong cash markets have been responsible for a rather firm undertone. Wheat prices were considerably lower with some hedges coming into the market and not enough buying to overcome this factor. With small volume, values declined the full 5¢ permissible limit.

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CHICAGO, 4 August 29, 1946.

When the National Grain Trade Council appeared before the Decontrol Board it was contended that the only way to increase the production of rye was by giving farmers further encouragement, and apparently the Department of Agriculture is now fully in agreement with the trade on this subject. They figure that we must raise 29.5 million bu next summer to meet requirements for human food and for livestock feeding. Of course, if production were in excess of that quantity, it could be utilized for exports or for the production of alcohol and spirits, or might even increase stocks to more normal levels. On July 1st of this year there was a carryover of only 2.4 million bu compared with 12.7 million a year earlier, and 30 million bu two years ago. According to their plan a national goal of 2.4 million acres is sought as the harvested area for grain in 1947. The Commodity Credit Corporation loans will also be offered on next year's rye crop in an effort to stimulate production. The loan is going to be announced at a later date, and will be established on basis of a 90% parity loan, the same as for some of the other cereals. Should we get the harvested acreage of 2.4 million acres, it would represent an increase of 36% over the present area, but it would be only 66% of the five-year average, including the years 1937 to 1941. It seems that the harvested acreage for grain has declined steadily during the war years, principally because of better profit in other crops. This year, for example, it was only half the acreage during the years 1937 to 1941. Thus by a combination of factors, it is hoped that we shall again raise more normal crops.

When our wheat market closed yesterday prices were very depressed. We could not see any special reason for the decline, having in mind that the government has a program to ship about 400 million bu grain from this country during the current season, of which the largest amount will comprise wheat and flour. Moreover, it has recently been claimed that CCC would very likely pay higher prices in order to acquire their supplies.

After the close of the market parity prices were announced, and there was an increase of 4¢ per bu for wheat, bringing it up to the level of $1.80 per bu. This compares with $1.53 same date a year ago, and shows how everything has gone up despite OPA controls. In any case, it gives the government a good excuse to pay 5 to 6¢ per bu more for any wheat it buys, and while there has been no definite announcement to this effect, very likely they will soon take action, because in recent weeks they have purchased very small quantities. This had a rather stimulating effect upon our market when we opened this morning. The quantities that were wanted in the pit were not particularly large but January wheat rose more than 4¢ per bu, with comparatively small buying orders, and we believe that the high margins are having some influence in restricting trade, although, of course, there are other factors also. In any case hedgers here in Chicago have to put up ver much more money than they would at Minneapolis or at Kansas City, but it may be figured that the hazards are greater than in other years because, while our market is free from controls at the moment, there is no assurance that we shall not have ceilings reimposed if prices should rise sharply. As for feeding grains one must also consider the higher parity figures. The advance in corn amounted to 3¢ per bu, making it $1.31 on the farm. Taking 90% of this, which would be the loan price, it would make the price in the country about $1.18, which when freight is added would be equivalent to about $1.28 in Chicago for the loan. There is still another month before we shall know the September parity figures, but if further advances should continue it is altogether possible that this would bring us to about the $1.30 level, basis Chicago. We believe that if the price would range 4 to above that figure corn would be sold, but it is obvious that sharp declines might lead to the impounding of vast quantities. So, here, to caution on the short side must be exercised.

Primary receipts of wheat were small, but statistics did not count for much. So far this week Kansas City and Minneapolis stocks show a total increase of 112,000 bu.

Trade was rather moderate, and in wheat most of the strength was in the January delivery, offerings were light, and those who bought or covered had to pay considerably above the previous close to do business. The more deferred months, however, were weak, and at times lower than the previous closing level. Oats were rather firm, and there was no special news affecting this cereal; the September delivery is still strong, and a premium for cash is being paid, indicating moderate tightness. Corn was an uninteresting affair, and the market was without particular trend, although the close was very firm.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 August 30, 1946.

We try to keep ourselves as well posted as possible on all matters pertaining to agriculture, which means that each day there is a tremendous quantity of literature to read, most of it coming from Washington. Sometimes we wonder how the farmers who are busy in the fields can keep up with all the changes. Most of them probably know that the government is supporting the price of potatoes but how many of them realize that there is a loan program for the Austrian winter pea crop at 4¢ a lb, or that the government has a purchase program of 12¢ per lb for hairy vetch, and 11 1/2¢ for crimson clover if it represents clean seed of top grade. There are so many other items that are too long to list in a market letter, but to the average laymen it is astounding the extent to which American agriculture has been socialized and supported. Each month now the Secretary of Agriculture must determine for the purpose of OPA, who reconsiders ceilings, etc., whether a commodity is in short supply, and we now learn that bread grains are on Mr.Anderson's list of being "short." According to dispatches from the East, he definitely plans to put wheat on his list, which is due to be announced this week-end. Therefore, it will be one of the farm commodities eligible for price control by the OPA, and it is also thought likely that most other grains will probably be similarly labeled. This does not necessarily mean recontrol of those grains now because prices are low, but it does cast a great uncertainty on the future. Other foods likely to be considered, include not only meats but canned fish, fats and oils, sugar, beer, and liquor, while canned fruits and vegetables are debatable. Thus it can be seen that if commodities such as wheat and corn, which were produced in such abundance are considered short, one must refer again to Webster to see whether the earlier teachings have undergone some change.

With the tremendous consumption of corn last season, there was until recently a shortage of feedstuffs, but the feed crop prospects have improved steadily during the early summer, and by August the feed grain supply per animal unit for 1946-47 turned out to be the most liberal in history. Also, the crop of new hay and record carryover stocks, together will, according to the BAE, provide liberal supplies of hay per animal unit during the coming year. Total supplies of by-product feeds for the 1946-47 feeding season probably will be larger than in 1945-46, even though supplies of high protein feed probably will be slightly smaller. The Department of Agriculture, in its own words says, "This year's total production of corn, oats, barley, and grain sorghums, on the basis of reports to mid-August, will be at the record level of 129 million tons. This total is 6 million more than the previous record production in 1942, and 10 million more than last year's production. With liberal quantities of feed grain available, wheat feeding during the coming year may be cut to half the level of the past year." Yet these grains may be labeled as being in "short supply." It is really more than we can understand. Not only is the 1946 corn crop the largest on record, but the feeding quality of this year's corn crop is also expected to be better than last year.

Primary receipts of wheat today totaled 1,678,000 bu as compared with 2,923,000 bu a week ago, and 3,030,000 bu comparable day of last year. So far this week Kansas City and Minneapolis stocks show a net increase of 119,174 bu.

While trade in wheat was light the market received a stimulant from an announcement by the local office of the CCC that it would buy wheat for delivery through January at present authorized prices with no carrying charge. This led to a firming in prices, but further analysis will show that ceiling prices are below the cash market, and that the government evidently will have to advance their price if they are to accumulate supplies for export shipments. The strength in wheat was imparted to oats. There was also evidence of short covering, but best prices were not maintained throughout the session. Spot oats in the Northwest were about 1 to 1 1/2 per bu lower, and cash corn for prompt delivery in this market is back to about $1.86.

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CHICAGO, 4 Sept. 3, 1946.

The legislative scene in Washington has at times approached the grotesque, and the final disposition of price control problems has been effected on a politico-emotional basis, which will surely be a breeder of plenty of national headaches. It was regarded as extremely healthy when the Decontrol Board ruled that most grains should be permitted to remain in a free economy, but now that the Secretary of Agriculture has labeled many of the grains in "short supply," nobody can be sure what the future holds forth. It was brought out in the brief before the Decontrol Board, when the National Grain Trade Council appeared there last month, that to consider wheat to be in "short supply" in the face of the largest crop in history would seem ridiculous. The U. S.Department of Agriculture has estimated the 1946 wheat crop production at 1,160 million bu, a new record high. Assuming that requirements will be somewhat less than a billion bu, including our export goal of 250 million bu and allowing for a carryover reserve last July of 101 million bu, it looks very much as though we would carry over anywhere from 250 to 300 million bu at the end of the crop season. Obviously, there is no condition of "short supply" in wheat. In the Agricultural Adjustment Act of 1938, there is a definition of "normal supply" of wheat. It is an amount 15% in excess of domestic consumption and exports. By this measurement a "normal supply" of wheat for 1946-47 would be 1,150 million bu, but our total supply for 1946-47 exceeds the amount needed for a "normal supply" by about 100 million bu. In other words, we could expand our domestic use or exports by that amount without falling below "normal supply."

An equally optimistic picture could be painted for corn, with the prospective crop likely to be the largest ever produced in this country. As the Department pointed out on August 31st, this year's total production of corn, oats, barley, and grain sorghums, on basis of mid-August reports, will be at the record level of 129 million tons. This total is 6 million more than the previous record production in 1942. With the liberal quantities of feed grain available, the amount of wheat feeding during the coming year may be only about half the level of the past year.

Apparently the trade did not regard news over the week-end as too alarming, and even though the Secretary of Agriculture has deemed cereals to be in "short supply," it does not necessarily follow that these commodities will be recontrolled.

Delegates and observers representing 51 nations met at Copenhagen for a second conference of the United Nations' Food and Agricultural Organization. They received a favorable report on supplies, particularly with respect to bread grains. Formerly there had been an indicated gap of from 10 to 11 million tons between the needs and probable supplies, but this has now been narrowed to about 8 million tons.

Primary receipts of wheat today totaled 4,176,000 bu compared with 2,259,000 bu a week ago, and 5,262,000 bu om comparable day of last year. When the visible was posted wheat stocks show an increase of 2,049,000 bu, and now total 75,456,000 bu, or 60 million bu less than a year ago. The oat visible increased 746,000 bu, although stocks in Chicago decreased 499,000 bu, and now stand at 2,264,000 bu. Wheat stocks in this market are 5,228,000 bu.

It is rather incongruous, in spite of many of the grains being labled in "short supply" that a press dispatch states that surplus grains in 1947 are worrying the Agriculture Department, and particularly Secretary Anderson, and foreign countries seem to be lowering their bids for long-term wheat contracts. The stock market again had a sinking spell, and is another example where planning does not always accomplish its purpose. The original objective of "all cash" transactions in stocks was to stop an inflationary movement upward, but on the other hand when setbacks start the average buyer is unable to enter the market on account of marginal requirements, leading to unliquid markets with large airpockets. In spite of the weakness in stocks, oats remained firm throughout the session, and it now appears as though many former shorts have covered.

Corn was weaker. The weather throughout the corn area remains below normal, but no damage has been reported. However, progress of the crop is being somewhat delayed through present cool weather.

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CHICAGO, 4 September 4, 1946

There was no particular news overnight. There had been considerable comment yesterday that the weakness in stocks had had so little influence on commodities, but very likely the reason for this is that a mandate of Congress requires basic cereals to be supported for two years following the declaration of peace. Since apparently this will carry us well into 1948, there is no reason to expect a slump in agricultural products, even though they may be overproduced. The Bureau of Agricultural Economics, in today's edition of THE WHEAT SITUATION, points out: "As the currently high exports taper off, price supporting loans become effective. If growing conditions are much above average for the 1947 crop and exports are substantially reduced, prices in 1947-48 will decline from present levels. Whether they will decline to support levels depends on the size of supplies in relation to demand. Present legislation provides for loans to cooperwting farmers at 90 percent of parity on wheat harvested during the 2 years following the year in which the cessation of hostilities is officially proclaimed."

From a statistical point of view it is more than difficult to reconcile Secretary Anderson's statement that wheat is in short supply. Our crop and carryover amount to 1,260 million bu. The quantity of wheat for food use has been estimated at 475 million bu, although it may be somewhat larger now with certain of the milling restrictions removed. At the time the compilation was made, it was figured that our domestic disappearance would amount to about 710 million bu. Thus it was claimed by the BAE that the supplies available for export and carryover would amount to about 550 million bu. On basis of the present estimates, exports may total 275 million bu; thus the carryover next July is indicated to be in the neighborhood of 275 million bu. The USDA goes even further in trying to figure out conditions beyond the current crop, and on basis of an acreage goal of close to 72 million acres, which was practically the same as the amount seeded in 1946, they believe that with average development we might produce a crop next summer of about 930 million bu. Then they say that if domestic use one year hence totals about 730 million bu, a crop of that size would leave 200 million bu for export or addition to the reserve stocks. Of course, nobody can tell what the European demand will be in 1947-48, as so much depends on Europe's recuperative powers and the size of crops in other exporting nations. In any case it becomes more apparent that we are gradually getting back to a more normal basis, both with respect to the disappearance at home and to the amounts that we shall have to ship abroad.

Primary receipts of wheat amounted to 2,435,000 bu compared with 1,443,000 bu last week, and 1,883,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 180,000 bu.

Shortly after the opening one of the private experts gave his views as to the size of crops. Corn production is estimated at only 3,327 million bu, which is a drop from earlier government figures, but apparently reflects deterioration in some of the drier sections of the country. East of the Mississippi River progress was generally satisfactory. Production of spring wheat was estimated at 296 million bu, or an increase of 16 million bu over the last government estimate.

The main feature to the market today was heavy short covering in oats by a prominent commission house; this was partially offset by selling from the Northwest, but in view of the small receipts here of only about 29 cars it seems to take time to build up stocks. As a matter of fact the visible supply of the country is still very small. On the advance bookings from the country increased, and the market reacted quickly. While there seems to be a fair trade, the market was rather nervous, probably influenced also by the weakness in securities. Wheat futures were lower, but there was no special feature.

In the Northwest ordinary spot wheat at Minneapolis was about 1 to 2¢ lower, demand was poor, although protein wheat held fairly well.

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CHICAGO, 4 September 5, 1946.

It seems rather surprising that the European countries should be so anxious for wheat at a time when their own harvests are being reaped. Possibly this is due to the fact that last year supplies were scarce, and by waiting until the latter half of the season it was more difficult for Britain and the Continent to acquire the cereals they needed. Thus, we believe the present aggressive attitude may explain what is taking place. The Foreign Agriculture Relations, which is one of the specialized departments, reports frequently on the world food situation, and they have shown that during the past thirty or sixty days some improvement has occurred. In a preliminary report the survey shows that most of the increases have resulted from bigger crops of wheat, sugar, and potatoes, as well as a larger fish catch. It is very likely that there may be some increases in the supply of rice, and the same is true of vegetables and marine oils, but a drop in animal fat production will partially offset this gain. It may be a long time before Europe can expect larger supplies of meat or of dairy products, but it will be interesting to await the next report which is to be issued about November 4th, and by that time we expect to have more complete data.

In view of the fact that Britain will buy most of its wheat from Canada, it will, of course, leave our surpluses more for the use of other nations, but if the business is to be conducted mostly through the Commodity Credit Corporation very likely a change in the buying policy will have to take place, as at the present time the government is buying only small quantities, and it may require a higher bid to loosen wheat from farms.

The Chicago corn-hog ratio for the past week was 9.2 compared with 11.2 the previous week, and 12.2 comparable week of last year. Of course, this figure of 9.2 is based on spot corn, and the present price is approximately 50¢ higher than the new corn. Some people from the corn areas are of the opinion that we are going to get more than the usual 15% of the crop marketed this year, but of course much will depend on the ratio which prevails later on. According to the Department of Agriculture the records for forty-five years show that when the corn-hog ratio drops below 12.8 in the country as a whole, or below 13.7 in the North Central States, there is little, if any, chance for an increase in pork production the following year. When Secretary Anderson recently recommended the ceiling price basis Chicago of $16.25 per hundred pounds, he stated: "We have previously estimated that the second quarter of 1947 is likely to be a critical one as far as meat production is concerned. We have, therefore, calculated a maximum hog price based upon the corn-hog ratios, which call for a price of $16 .25, Chicago basis."

Primary receipts of wheat amounted to 1,688,000 bu compared with 1,624,000 bu last week, and 2,688,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 77,000 bu.

Our grain markets were very little affected by the recovery in stocks, but this was natural as they hardly declined any during the period of depression. We note the trade in wheat has not expanded materially, and yesterday only 157,000 bu were transacted in the whole pit. This makes the cash business more difficult, because grain men who have been accustomed to using the hedging facilities probably feel that unless there is greater volume that executions are bound to cover a wider latitude.

Most of the trade at the present time is in oats, and today was no exception to the rule. After early advances on short covering there was some selling noted, and the nearby deliveries were the weakest, which was a change from recent performance. Stocks are still small, but some barges are coming in laden with oats, and possibly there will be further deliveries before the end of the month.

Corn prices were weaker without visible cause, except temperatures have moderated, and this is considered safer for maturing the crop.

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CHICAGO, 4 Sept. 6, 1946.

We have been saying for several years that Europe would probably recover more quickly from an agricultural point of view after this war than was the case in the wake of World War I. Our reasons were that after there has been starvation on many parts of the Continent, it would be necessary to push agriculture; furthermore, many of the countries like Germany, which were largely commercial before the war, will have to go more into farming, as so many individuals seeking to make their livelihood can accomplish it quicker by living on the land than remaining in the larger cities. There is also talk that we are giving them a big hand by way of sending fertilizer and implements, recognizing the conditions as they exist. Many of the jeeps and small tanks that the American government sent to Europe during the war have never come back. Some of these have been renovated and are the basis for the automotive power for getting the land in shape. This was also different from the previous war in that the fields of Flanders and the other farming areas were not devastated as the fighting was of an entirely different character. We did not recover fully until about 1924 after World War I, and in fact, in the years 1920-1921 and 1922 the United States was shipping 288 million bu wheat on an average from these shores, or about 45% of the total world requirements.

The BAE now figures that we have reached the peak of heavy exports. Our goal last year was 400 million bu wheat, and this figure was nearly attained. During the current season, it is figured that we may ship about 275 million bu, but in our own minds there is even some doubt whether the quantity will be that large unless we get under way more quickly than is now indicated. In normal times about 70% of the exports are shipped during the first six months of the crop season. This is quite natural because later on there is competition from Canada, with their crop a few months later than ours, while in January the Southern Hemisphere clearances start, and generally reach their peak sometime in March. As the Department of Agriculture points out, our share of the wheat export market will depend largely on whether we meet prices of other exporting countries. They probably have in mind an obligation that a 90% loan will be effective for fully two years following the declaration of peace. But they also point out that the falling off in demand by deficit countries will mean lower export prices for the world, and that if efforts to curtail production are not effective, there may be considerable difficulties ahead because production with average yields would exceed annual usage. Therefore, large carryover stocks would again accumulate. This all comes at a time when our domestic prices are high. Recently they have been at the highest levels since 1921, reflecting a very large export demand, but when the extraordinary demand subsides, the price supporting programs will again become effective. This we believe is the main sustaining influence to our market today. Here, again, we quote the BAE when they say that wheat prices have generally advanced since 1938, and that the loan program was the most important factor in domestic wheat prices. Beginning in 1943-44, the extra demand for wheat resulting from the war became the important price factor.

Primary receipts of wheat amounted to 2,291,000 bu compared with 1,678,000 bu last week, and 2,454,000 bu last year. Kansas City stocks so far this week show a decrease of 257,000 bu. When the visible supply is posted on Monday, we expect an increase, but probably not as much as last year, when it increased 5,657,000 bu.

Trade is not particularly active, although we observed more interest in wheat; possibly some hedging from mills or from cash interests. It is our own view that wheat is probably selling from 20 to 25¢ per bu higher than it would if the government were not a potential buyer of all that is offered at former ceiling levels. Nevertheless, one has to be cautious in operating, and apparently the trade is fully cognizant of the factors involved.

Oats were rather firm at times. There may have been further short-covering, but net changes were not important, and it is generally felt that with the good corn crop in prospect that substitute feeds will be in smaller demand than in years past.

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CHICAGO, 4 Sept. 9, 1946.

As of Saturday, the new plan of the government to acquire wheat for export was installed. They have withdrawn their offer to purchase unlimited quantities of wheat at the old ceiling price, and in place of same have announced that the Commodity Credit Corporation will from time to time make purchases of wheat to cover export requirements, accepting the best offers received at prices not in excess of prevailing market prices. This, of course, is quite a departure from the original plan, which practically assured handlers of wheat a price equal to former ceilings. It was self-evident that some change would have to be instituted, as cash wheat has been selling above former ceiling prices, and the government was not obtaining its export requirements. So far this morning the government has not actually bid for wheat, but is considering any offers made to them. According to the best check-up we can make, these offers are now around $1.96 to $1.97, which is 5 1/2 to 6¢ over the old ceiling prices.

The effect marketwise of this new program will depend entirely on the rapidity with which the government agency wishes to obtain its requirements, and also the consistency of the purchases. Naturally when the government is in the market, it will be quite a sustaining factor, but should they withdraw for any protracted period, many cash handlers who have been carrying their wheat unhedged might have a serious problem confronting them, and may have to again resort to the hedging of wheat in order to protect their holdings.

The Australian Commonwealth has recently enacted legislation creating a Wheat Board, and no wheat can be exported without the consent of the Board. As soon as the legislation has been ratified by the individual States of the Commonwealth, it will mean that growers throughout that country must deliver their wheat only through the Australian Wheat Board, which will have the power to dispose of wheat both for domestic and for export. The growers will receive a guaranteed minimum price of 82¢ at shipping ports, which is equivalent to about 72 1/2¢ to the grower. In addition the producer will receive 50% of whatever average profit the crop of any particular year realizes, the remaining 50% going into a stabilization fund for subsequent distribution. In the meantime, cables from Australia indicate that the crop in that section of the world is deteriorating from lack of moisture and that the earlier indication of 200 million bu may be reduced to somewhere between 130 to 160 million bu. More optimistic reports have been received from other sections with Italy reporting that the supply of feedstuffs in that country will exceed last year by a wide margin. According to Broomhall, October 13th has been set as the provisional date for the ending of bread rationing in the United Kingdom. According to Broomhall, persistent heavy rains over that country and parts of the Continent have resulted in probably a lower quality of much of the wheat, and a lower estimate of production can be expected.

Primary receipts of wheat total 2,943,000 bu compared with 2,650,000 bu last year; there is no comparison with last week owing to a holiday. When the visible supplies were posted, wheat showed an increase of 693,000 bu against 5,657,000 bu a year ago; the total wheat visible stands at 76,149,000 bu, or approximately 65 million bu less than in 1945. The oat visible increased 2,720,000 bu to a total of 15,531,000 bu, which is about half the amount which was in the visible last year. Wheat stocks in Chicago for the week show a decrease of 791,000 bu, with a total of 4,437,000 bu. Oats increased 201,000 bu, and total supplies in this market are 2,465,000 bu.

There was no particular grain news over the weekend. The lower security market is being reflected in grains. So far we have not heard of any purchases made by the CCC underthe new program, and unless support is given from that angle, look for further sagging in the futures price. From advices which we receive, a large wheat crop is being planted in western Texas, but despite the fact that wheat is one commodity which has been declared in "short supply" every indication points to the fact that within another twelve months we will be facing surpluses, particularly if the 1947 crop develops.

Cash premiums for oats show signs of weakening, and that cereal also seems to need a new stimulant.

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CHICAGO, 4 Sept. 10, 1946.

According to the best advice we have received, the CCC did not purchase any wheat offered yesterday, apparently believing the price too high. The new government policy in making purchases to fill export requirements will be a considerable market factor, and enables the CCC to exert tremendous influence on the price of wheat. Failure to make purchases yesterday was reflected in a lower opening this morning. Whether the Maritime strike was any factor we do not know, but if the strike should persist for any length of time, it may slow up the entire export program. However, the feeling that the CCC may enter the market for large quantities is a restraining influence on those who may want to assume a selling position.

Despite the recent statement of the Department of Agriculture that corn and wheat are in "short supply" a surplus of grains is now definitely in sight in this country, and some attention is being paid in Washington to the program committing the government to a 90% of parity loan policy for a two-year period after the official declaration of the ending of the war. In some quarters it is felt that the 90% loan would be a stimulant to production and that some restrictions should be placed upon the guarantee in proportion to the output.

According to Sanford Evans world shipments of wheat and flour from Canada, the United States, Argentina; and Australia from August 1, 1945 to July 12, 1946, totaled 789,756,000 bu. It is fair to assume that for the complete period to August 1st of this year exports will total about 821 million bu. Of this quantity the United States would have furnished about 370 million, Canada337 million, the Argentine 68 million, and Australia 46 million bu. Barring any major crop failures next year, import requirements should have passed their peak. If for the season 1946-47, the United States would furnish 275 million and Canada 325 million, or a total of 600 million, it would look as though requirements could easily be met, with a substantial increase in the carryover in the United States, and probably increases in the Argentine and Australia. If Canada furnishes 325 million, her carryover will probably not vary much from the amount on hand August 1st. The carryover in the United States, as of July 1st, was estimated at 101 million bu. Reduced feeding requirements and reduced export prospects now point to a carryover at the end of this season of 250 to 300 million bu.

Showers were quite general the past twenty-four hours over nearly all sections of the corn belt. Rains extended into eastern Kansas and eastern Illinois. Generally speaking, soil conditions are quite favorable in the major portion of the winter wheat belt for fall work, and the seed should go into the ground under good conditions.

Primary receipts of wheat today totaled 2,709,000 bu compared with 4,176,000 bu last week, and 3,112,000 bu comparable day last year. Kansas City and Minneapolis stocks show a net increase for the week of 56,000 bu.

In addition to the failure of the CCC to make purchases yesterday, the wheat market was also affected by lower stock quotations, as well as other commodities, such as cotton and corn. There is very little interest being expressed in the wheat pit at present. The open interest in all futures is a little less than 2 million bu, and greater interest is being hampered by the rather excessive margins which are required in the Chicago market. It appears that if there is to be freer use on part of hedgers a reduction in initial requirements will be necessary.

Corn was also lower, and there was evidence of hedging pressure during the season. There will be a government report released after the close today, giving an estimate on the corn crop as of August 1st, but no particular surprises are anticipated.

In spite of weakness in other cereals and markets, oats had a firm undertone throughout most of the session, and some short-covering was in evidence. There seems to be no underlying weakness in that cereal at the moment. Undoubtedly some oats are wanted in fulfillment of September contracts. This cereal is on more debatable ground, and for at least the present can be used for a trading market.

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CHICAGO, 4 Sept. 11, 1946.

After the close of the market yesterday, the government report was issued indicating yields as of September 1st. The total wheat crop is now estimated at 1,167 million bu, or approximately an improvement of 7 million bu during the month of August. Again reviewing the figures, if we add the carryover of 101 million bu to the estimated new crop, we started the 1946-47 season with total supplies of 1,268 million bu. Using the last government figures available, they are forecasting a consumption of 475 million bu for domestic food; 275 million for export; 82 million for seed; 150 million for feed; and 2 million bu for industry, or a total disappearance of 984 million bu. If these figures are substantiated, it would leave a carryover on July 1, 1947 of 284 million bu, or approximately three times the size of the previous one. It is not at all certain that the export goal of 275 million bu will be reached, and if not it would further increase the carryover. So everything at the moment points to ample supplies and a larger surplus.

Official estimates on the corn crop were reduced 125 million bu during the month of August, but still point to a bumper crop of 3,371 million bu, or approximately 353 million bu larger than a year ago. The report points to the largest deterioration in Minnesota, South Dakota, Nebraska, and Kansas. Prospects in Illinois were raised about 18 million bu, and if no further damage occurs, it would place the crop for this state at approximately 515 million bu. The report showed no change in indicated yields for Iowa; in fact, in their comment, the report stated that corn was denting in Iowa and Minnesota and as of the first of the month needed only about two weeks of frost-free weather to assure merchantable quality. From what we gather, the Illinois crop will need a little longer period, but at the moment no frost is indicated. The last report on animal production inferred there will be a reduction in population on January 1st of about 5%, which should mean a lesser amount required for feeding purposes, particularly as under present ceiling prices for meats there is no incentive for additional fattening of animals.

The oat estimate was increased about 21 million bu, and now stands at 1,519 million bu, and now points to about the same supplies as last year's record. Very ample supplies of feed grains are indicated with increases in surpluses at the end of the crop-year.

The government weekly weather and crop report released today mentions that additional moisture and above-normal temperatures during most of the week in the greater portion of the corn belt caused corn to make generally good progress, although conditions are still dry in Indiana and Ohio and some southern areas. They state that 77% of the Iowa crop has passed the soft-corn stage, and about 43% is dented. Generally speaking the crop still needs several weeks of warm weather for maturing. Timely rains were of benefit to the sorghum crop, which has suffered all through the season from lack of moisture.

Primary receipts of wheat today totaled 1,611,000 bu compared with 2,435,000 bu last week, and 2,527,000 bu comparable day last year. So far this week stocks at Minneapolis and Kansas City show a net increase of 147,000 bu.

While we have not heard of any purchases of wheat by the CCC in Chicago or Minneapolis, there have been some fair-sized quantities purchased on the Pacific Coast, and rather late in the session we heard of acceptances of offers in Kansas City. As to the total quantity which has been purchased we do not know, but presume they will have to continue in the market to meet their requirements.

The flour ceiling has been raised 20¢ per CWT. While this may not be quite as much as many of the millers had hoped for, it ought to ease the situation and lead to booking of a fair amount of flour business. While most of the mills undoubtedly are long cash wheat, as they sell the flour they will have to make additional purchases of wheat, and this, plus the government buying program whenever it starts, should be a stimulating influence.

Activity in the wheat pit remains at an extremely low ebb; the entire trade yesterday was slightly over 600,000 bu, with a total open interest of 1,900,000 bu. Small transactions easily affect the market. There still seems to be evidence of short covering in oats, and while that cereal had a firm undertone during most of the session final quotations were lower.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Sept. 12, 1946.

One of the greatest handicaps in moving this year's crop has been the boxcar shortage, which has been felt in almost every section of the grain belt. This situation has been somewhat aggravated by the priority which the Department of Agriculture had for export commitments. However, yesterday announcement was made that there would be a six-week suspension of this export priority on grain cars and freight cars for other overseas food shipments. The reason given by the Interstate Commerce Commission in making this move was the nation-wide maritime strike. The suspension of priorities will last until October 31st, and should make more cars available temporarily for the movement of grain in this country.

From reports which we have been able to gather, the CCC within the last twenty-four hours has purchased wheat for export in Kansas City, but apparently has not been aggressive in making these purchases, and seems to be unwilling to bid up the price of cash wheat in order to obtain their supplies. They are at present paying $1.94 in that market, and intimate that they will accept offers for December delivery at about 3¢ over the Kansas City futures price, provided, however, that the December remains around present levels. Reports also indicate that there has been some sizeable flour business placed following the advance in ceiling prices, but this has had very little effect on the futures market for several reasons. Most of the mills were probably long the cash wheat, and owing to feeling that ceiling prices had to be raised, very little of this wheat was hedged, so that the effect of the flour business was not noticeable in the futures market.

Our port facilities for handling wheat for export have a definite capacity. If the maritime strike should be at all protracted, it may have a direct bearing on the wheat which we can send overseas, and finally might lead to a lowering of the estimated quantity for export. This factor, plus the uncertainties surrounding the feeding situation under present meat ceilings, might possibly mean a revision upward in the carryover estimate.

Another change in policy is the fact that the government will withdraw from the export meat business and return this trade to private channels on September 30th, according to an announcement from the Department of Agriculture. As the Department has been acting as purchasing agent for meat-buying nations, as well as for UNRRA, it now means that after October 1st the individual countries will have to purchase their own supplies. Therefore, prices should be a more dominant factor as to the actual amounts which will be required. This further means that there will be no set-aside for export purposes and might lead to larger supplies being available for domestic consumption.

The Canadian Wheat Board has rescinded its order which provided that all oats released for export must be used for human consumption, or to replace other oats for the same purpose. As a consequence, any grade of Canadian oats can now be offered for export regardless of its purpose.

The recent rainy spell in United Kingdom has ceased, and this should prove helpful, as that country has suffered from an over-abundance of moisture. The drought still persists in areas of Australia, and according to Broomhall every surplus bushel of wheat in that Commonwealth will be needed for Asiatic markets. Norway's grain harvest is now in progress, and is expected to show an above-normal production. While reports from Russia are of the usual vague type, the condition of both winter and spring grains throughout the Soviet Union is reported as satisfactory, with harvesting weather better than a year ago; the crop is anticipated to be larger than last year, although still below pre-war average.

Primary receipts of wheat today total 2,405,000 bu against 1,688,000 bu last week, and 2,394,000 bu comparable day last year. Kansas City stocks of wheat so far this week show a decrease of 123,000 bu; the report from Minneapolis is missing.

Generally fair weather has prevailed for the past 24 hours throughout the Northwest, Central West, and the corn belt, with some heavy local rain in sections of both Southwest Kansas and the Texas Panhandle, which is very helpful as far as the Southwest is concerned in the seeding of the new crop. While temperatures in all areas have been on the cool side, no frost has been reported, and the forecast indicates rising temperatures within the next few days.

Cash corn for Oct. 15th shipment has sold at $1.45, showing a tendency of old crop and new crop cash to come closer together as harvest of the new crop approaches.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 September 13, 1946

The September 1st crop report, which was released just three days ago, was signed by Mr. Brannon, the Acting Secretary of Agriculture, and no doubt will have the attention of Mr. Anderson, who may have been away from Washington at the time of issuance. Since the Secretary himself declared wheat and corn to be in short supply, he will no doubt read with interest the first paragraph of this document, which in part states: "An all-time record volume of crops continues in prospect, despite adverse growing conditions for late maturing crops in important areas during August. The largest wheat crop in history is practically harvested. The 1946 corn crop will still top all others but adverse weather in the Corn Belt and Great Plains States reduced the estimated production by 125 million bushels since August 1st." In Canada the developments during the past week were less favorable for harvesting of the crop in the Provinces, and last night after our market had closed the Dominion government at Ottawa release d figures indicating a spring wheat crop of 424.5 million bu, so that with the addition of fall wheat, total production will be in the neighborhood of 440.5 million bu compared with 306 million bu last year. This is somewhat lower than earlier indications, but yet is quite a bit more than the figure given out by Mr. Gardiner before he departed for Europe some weeks ago. As we mentioned in recent market letters, the outturn in Australia is not as good as had been estimated earlier, although the long drought in New South Wales shows some signs of ending, and thus the final figures may be a little bit better than those which we recently reported. However, very little Australian wheat will find its way into European markets, according to Broomhall, and every surplus bushel of the Commonwealth's wheat will probably be neede for Asiatic markets. Food is scarce in Singapore, the Malayan Union, and other areas of Southeastern Asia, which are competing with India for allocations of food grain by the Emergency Food Council.

Despite these conditions, we feel certain, as the government has recently expressed, that we have seen the peak of world shipments, and that from now on the importing countries will gradually require less grain. There is to be an article written by two well known authorities of Cornell University, and it should be ready for publication within the next two weeks. The writer, who has discussed the contents with one of the authors, was quite impressed to learn that while conditions in Europe were still bad, yet after considerable research it was found that material improvement had taken place, and the question of starvation was no longer being feared, as was the case a year ago. According to a report by the Russian Minister of Agriculture, rye was heavily substituted for wheat during the war in many parts of the Union. Thus the wheat acreage diminished considerably in some central provinces, and also in the Ukraine. However, under the new five-year plan there is to be a sizeable increase in grain production, and especially for wheat. The absence of rain in June, which caused the winter crops to fill badly in certain regions of the central zone and the Ukraine, is probably responsible for the deterioration which had been reported earlier, and which is undoubtedly a factor for the current season.

Primary receipts of wheat were just over the 2 million bu mark. This compared with 2,291,000 bu last week and 2,422,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 161,000 bu. The visible supply is increasing very slowly, although when the figures are published on Monday, it will compare with an increase of only 1,831,000 bu last year.

Markets were rather firm, and while the government has been reluctant in accepting all offers of wheat throughout the country it is felt that they will probably become more aggressive a little later on. They are probably feeling their way slowly in the hope of getting wheat without paying advancing prices.

There was considerable strength in oats, which finally influenced corn. While the local element is quite bearish on oats, they have had rather bad experiences lately, and there has been considerable covering toward the end of each session; possibly the light supply at terminals is the basis for the firm markets, and the strength of the September delivery is attracting attention with the open interest still large at 6 1/2 million bu, with only about ten days yet before trading ceases. We find that with an open interest in wheat of only 2 1/4 million bu, the fluctuations are erratic, and it is difficult to execute orders near the board quotations.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Sept. 16, 1946.

While most of the corn crop still needs several weeks of warm, dry weather for maturing, it must be noted that everything is very propitious at the present time, so that progress during the week was generally good, with rains and above-normal temperatures over the greater part of the belt. Pastures for the country as a whole are likewise above normal. Wheat harvesting is about completed, and farmers are counting up another record crop. The same is about true of oats, with yields ranging high in comparison with other years of heavy production. At the same time producers are planning to put in large acreages for next year, and even with the heavy exports counted on to take care of the famine-stricken areas of Europe, it is now considered likely that we shall have a wheat carryover next July of about 275 million bu, after allowing for somewhat better than the usual feeding requirements and the more normal extraction rate for flour processors. The world wheat production, excluding China and the Soviet Union promises more than 10% above the 1945 output, and perhaps not far from pre-war levels. The total grain production in Russia will probably not be as large as pre-war, but yet it is believed to be favorable. In China and elsewhere in the Far East, the food emphasis is on rice; so acreage planted to wheat this season is still well below normal. It is quite likely, therefore, that wheat imports will continue large in the months ahead, but in spite of these factors, world shipments will undoubtedly be smaller in the current season than a year earlier.

There seems to be a fairly bearish sentiment in grains, and, of course, it is true that just as major wars historically have resulted in price rises, so they have been followed by price declines when hostilities were ended. The pattern was not always the same, and, indeed, there have been many variations. Sometimes prices fell before the war was ended, and in other cases it was delayed by several years. We have in mind, for example, that after World War I, it was practically 1924 before production had fully caught up with consumption. What will happen this time remains to be seen, but as soon as there is a reversal in Europe and production catches up, we feel sure that the demand from the exporting countries will diminish. Of course we have to contend with government mandates, and under our present laws, the CCC is required to make loans at 90% of parity for certain commodities for two years after the end of hostilities. This date has not yet been determined, but it is at least a stimulating influence, both in the psychology of farm thinking, and in the actual marketing of grain. As a result the first effect of this policy is to retard the declines which would otherwise occur, and in fact, in some instances prices have temporarily risen. However, we believe that if supplies continue to accumulate they will hang over the market, and finally have a depressing effect on prices. Thus the day of reckoning is simply deferred but will probably not be avoided.

Primary receipts of wheat amounted to 2,847,000 bu compared with 2,943,000 bu last week and 2,753,000 bu last year. When the visible supply of wheat was posted, there was a rather heavy increase of 4 1/4 million bu. Total stocks in all positions are now 80 1/2 million bu, or 62 1/2 million bu smaller than for the corresponding date a year ago. Local wheat stocks increased 303,000 bu, now totaling 4,740,000 bu.

It was reported that the CCC had made rather good-sized purchases over the weekend. However, we understand that in the Southwest transactions were comparatively small.

When our market opened prices were rather firm, and while there was nothing significant in wheat, it seems the potential government buying is a factor. In other pits there was a fair amount of short-covering, and it looks very much as though the open interest in the September delivery will show quite a reduction when figures are published tomorrow. Buying came largely from cash houses, possibly they were short hedges. Best prices in oats were not maintained, and the close was little changed from the previous session. The total visible visible supply of oats is 7 1/2 million bu, and is not large considering the size of the crop.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 September 17, 1946

At a time like this when meat has again become a scarce article, it is pretty generally accepted that black markets are widespread and in much the same category as "speakeasies" were during prohibition. It becomes very evident to most people that price-fixing is the basis for much of our confusion. In other words when price controls were relaxed meat become more plentiful, but after the ceilings were re-invoked, scarcities became aggravated. Little, however, is ever mentioned about labor, and yet it should be noted that salaries and wages constitute 53% of the costs of marketing and processing livestock and meat in normal times. Transportation counts for about 11% of these costs, and all other operating expenses and profits combined amount to about 36%. Naturally the proportion of the operating expense paid out for salaries and wages differed for the various functions. For example, payments for labor represented 49% of the costs in marketing livestock, 51% of the cost of meat packing, 52% of the cost of wholesaling, and 58% of the costs of retailing. Thus with high labor, and in many cases the inability to get a sufficient number of workers, the packers had found that rising prices were almost inescapable. The public, of course, is concerned solely with the availability of these products in the market place, and in view of the fact that the total cold storage supply of beef in the country is only about 85 million lbs compared with 131 million lbs, the five-year average, indications point to the fact that not all those who want meat at the present time will obtain it. In pork the situation is even worse, as present stocks amount to only 187 million lbs compared with the five-year average of 416 million lbs. Fortunately, however, there are substitutes, and those who are desirous of getting poultry should have no difficulty, and there are 204 million lbs available compared with only 100 million lbs during the five-year average period. Fish also is plentiful, with 151 million lbs available compared with only 107 million lbs average. Thus there are no alarming issues facing us immediately except that as most consumers have already learned, it is necessary to practice economies or to substitute surplus commodities for those which are scarce.

When our market opened this morning, there was very little to guide it. Overnight news was unimportant, but the Department of Agriculture is learning through its research department and from visits of top officials to Europe that harvesting of cereals abroad, together with more plentiful vegetables this year, will be almost enough to bring European nations back to a pre-war basis. Supplies run closer to 85 or 90% of normal rather than the official figure of 80%, which has recently been discussed. Therefore, with rationing and greater care, the imports of foods will undoubtedly be smaller this season than they have been previously. Under these circumstances the urgent need for shipping has lessened, and the Department is considering major changes for exporting food within the next month or two. It seems quite possible that instead of everything being handled by the CCC, private dealers will be permitted to quietly build up stocks in export position and to take over the business themselves. Nevertheless, it is still felt in official circles that we are going to export 400 million bu grain and grain products in view of world demands. Of this quantity about 275 million bu will comprise wheat and flour and the balance will likely consist of feedstuffs.

Primary receipts of wheat amounted to 2,823,000 bu compared with 2,709,000 bu last week and 3,169,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 18,000 bu.

Trade in grain was not particularly active. Stock market was somewhat lower but this is not having much influence in our pits. As a matter of fact with the government indicating that they would pay 2 or 3¢ over Kansas City September wheat to acquire grain for export, there should not be anything very bearish in the picture, and we are at a loss to understand why the deferred futures should sell at such big discounts unless the public feels that the export goals will be met during the next six months, and thereafter, the total weight of supplies will have a depressing influence. With just moderate buying, the distant months were thestrongest, and with cash wheat in the Northwest firm to higher, there seemed to be a little better feeling all around.

Oats were very firm and the strength was mostly in September. The open interest is still large; in fact, about twice as great as the amount of rain here in Chicago. Trading will cease after the close of business Saturday.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Sept. 18, 1946.

The stock market was again weak, and in view of the fact that business is holding up well a good many people are questioning the reason for recent sharp declines. It is, of course, clear that the reconversion from a war economy to that of peace was badly bungled. The effort to hold down prices and to push up wage rates in a period of relatively low labor efficiency has been a failure which cannot be denied. Official policies succeeded in producing disparities, but undoubtedly will force widespread corrections of a painful sort. Despite artificial stimuli, price trends in this post-war era will be dowrward as they were after the 1921 adjustment. There will, of course, be exceptions, such as rents, due to the fact that the building industry fluctuates the most violently and has a cycle averaging about twenty years long. This compares with the automobile industry, for instance, which has a longer cycle than textiles, but nevertheless lasts for a period of from three to four years compared with about two years for the former when measured from peak to peak. A good many students of the stock market still point out that no sharp break is likely so long as we have acute shortages of clothing, automobiles, and housing. It is well known that white shirts and sheets are almost unobtainable. Veterans from the last war are finding it impossible to obtain living quarters, which is further aggravated by the small amount of building, and in automobiles a black market continues, despite attempted controls with premiums being paid anywhere from $400 to $500 per car. Nevertheless, it should be noted that in figuring American business, the two outstanding industries are food and clothing, which represent about 50 to 60% of the volume. If figured on a world basis, it runs even higher, ranging from 70 to 80%. Therefore, agriculture is one of the most important items, and farm prices will meet government support at 90% of parity, so that undoubtedly we shall not have the violent declines, such as occurred in the 1920's. However, nobody can be absolutely certain that government supports can be provided without causing very serious secondary consequences. It is already apparent that by holding up the price of potatoes artificially, large accumulations are going to take place. If European production comes back reasonably fast, we are bound to lose our export outlets, so that the situation will be much the same as it was prior to the war, when reserve stocks piled up and it was only the enormous war demand for grains that prevented collapse in the policies which had tended to build up unwieldy surpluses.

The CCC continues to buy wheat, and this is a sustaining influence. They have purchased about 13 million bu in the Chicago area, since the higher price feature enabled them to enlarge the scope of their activities. They bought about 750,000 bu wheat overnight in the spring wheat area, and were it not for this support we feel certain that prices would be a good deal lower. It is claimed that some of their grain is being offered to Brazil, so that there will undoubtedly be outlets other than for Europe.

The government weekly speaks of warm weather spreading eastward, and this is very beneficial to corn. The crop has made fair to mostly good progress in the main belt where it is now in mostly good to very good condition. They also tell of winter wheat sowings. Soil moisture is now generally ample for germination, and much of the area seeded to winter wheat in the Southwest and the more western areas is up and growing well.

Primary receipts of wheat were very light and amounted to 1,171,000 bu compared with 1,611,000 bu last week and 1,745,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 81,000 bu.

Prices were all very firm. There seemed to have been considerable short covering in corn and undoubtedly this is influenced by the high prices still being paid for old-crop delivery. Wheat futures were strong but there was only a moderate volume of buying. Spot wheat in the Northwest was strong, running 1 to 2¢ higher at Minneapolis and this induced a little bullish enthusiasm but on a small scale. The September delivery of oats sold at a new high in some time, reaching 80¾ per bu. Shorts appeared nervous and we believe there was considerable covering of the deferred months.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Sept. 19, 1946.

Thus far the weakness in securities has had little effect on grains, but we are afraid that if the breaks continue on such a wide scale, finally it will affect the entire economy of the country. As we have tried to point out business is still very good, but apparently the market is trying to tell a story, and with the many controls that are still on the statute books, it is rather difficult to feel that the future is free from worries. While everybody has been afraid of inflation, it may be that a decline in the consumer purchasing power will temporarily at least have just the opposite effect. Furthermore, the squeezing of industrial profits between higher costs and unsatisfactory selling prices, together with labor unrest, has shaken confidence in many quarters. When the railroads were ordered overnight to increase the pay to their men by some $700 million, and they have not yet received an increase in tariff, it was almost an indication that somewhere along the line further difficulties would arise. At the present time the inability to achieve volume production is also bad and stresses the inefficiency which is still one of the most important factors. Lastly, of course, is the foreign situation, and while one of the Cabinet Members has decided to remain quiet for the next four or five weeks, nevertheless the confusion already caused is distinctly unsatisfactory, from point of view that we had hoped to have a period of long years of peace, with international cooperation and good will.

When our market opened this morning, prices were for the most part firm, and apparently some of the short-covering which started yesterday in oats continued in today's trade. It had also been thought that distillers had purchased corn in recent sessions, and with so many holes still to fill up,even the possibility of an early movement of new corn still keeps most of the industries nervous, so that higher prices were again paid today for futures and cash houses were prominent buyers. As for wheat it is difficult to see much change from day to day. As near as one can tell exports during the first eleven weeks of the season have amounted to about 66 million bu. On basis of a crop and carryover of about 1,268 million bu, there is no reason to feel that we are going to have anything but a moderately large carryover supply next July. Of course, this is based on a more normal disappearance for feeding and on exports that probably will not exceed 275 million bu, but still with the improvement in Europe, one can safely talk conservatively at this time.

Broomhall has told us that except for a threat of locusts in the Argentine, all is going well there. Rainfall has been excessive at times but cool weather has checked the premature growth and promoted a healthy root system. The area sown to wheat is 16 1/2 million acres against 14.1 million last year. It is always difficult to get accurate information on conditions in Russia, but the reports issued by the United States Office of Foreign Agricultural Relations are as accurate as anything we can obtain. According to this agency outside of the central and southern regions, the condition of winter and spring grains has been reported as satisfactory or good. This includes such important regions as the Don-North Caucasus, middle Volga, Urals, and Siberia, as well as the western part of the Soviet Union.

Primary receipts of wheat were a little bit better, and amounted to 2,733,000 bu compared with 2,405,000 bu last week, and 2,149,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 6,000 bu.

While markets were all very firm early there was some selling and liquidation in oats after mid-session, and it is felt that we are going to have some deliveries on the September contract. The cash situation is not quite as strong, and those who were eager buyers a week or ten days ago seem to feel now that the situation has eased. In corn, there continues to be a rather small trade, although yesterday's volume was close to 2 million bu, but we do not look for any sharp breaks for the reason that a 5¢ decline might put us in the range where the loan would become operative, and if that occurred undoubtedly there would be heavy impoundings.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Sept. 20, 1946.

The break in the stock market is causing great nervousness amongst the public in spite of the fact that business is still booming, and apparently the debacle in the midst of inflation is regarded by many as a paradox. When we consider that there is full employment, all around shortages, and rising commodity prices, also a great many unfilled orders with current sales far ahead of inventories, it is not too easy to try to figure out why confidence has been so completely shattered. Maybe the reason can be found in the fact, as expressed by Dr. Melchior Palyi that, "The mixture of ideological exurberance and practical incompetence has sharpened rather than solved the overhanging problems, until at last show-downs become unavoidable. The insecurity of capital valuations reflects the uncertainty about these forthcoming show-downs on basic policies." Of course, post-war economic policies, both internal and external, are still in the makeshift stage. It would probably be futile to make a forecast as to when the trend will be reversed. One of our good friends in the East, a prominent economist, says that "The only danger the economist has in predicting, is the loss of his professional reputation, which in most cases is no great loss." Be that as it may, the effect of the shrinkage of equities has had practically no effect upon grain values for the reasons probably well known to our readers. The farmer is marketing all of his crops very leisurely, and in fact, the movement of wheat is already tending to slacken, although it generally does at this season of the year. Terminal elevator stocks are not particularly large, and with the government now competing with mills and other users for supplies, we can see no chance for any heavy accumulations.

This probably explains a certain tightening trend in futures markets, although we have felt for a long time that the big discount of the May delivery under current prices was dangerous unless one could feel sure that in another 4 to 6 months, the government purchases would be at an end, so that prices would react more to normal supply and demand conditions. Following the recent advance in flour ceilings. the mills have put through a tremendous business, probably one of the heaviest in history. This means that current light arrivals will probably be needed, although peculiarly enough the demand for cash wheat is not particularly urgent. The chances are, however, that if the government does not acquire larger quantities of wheat at present levels, they will advance their ideas on prices. Thus there may be a repetition of what occurred last year when they had overstayed their market. The time to buy for export really is when the movement is on, and in normal times about 70% of our export business is handled during the first six months of the crop-year. In that way it provides an opportunity for Canada to do business at a little later period, as their crops mature after ours, while in January and February the South American surplus starts competing.

Primary receipts of wheat were fairly good and amounted to 2;434;000 bu compared with just over 2 million bu last week, and 2,236,000 last year. Kansas City and Minneapolis stocks so far this week show a total increase of 144,000 bu. When the visible supply is posted Monday it will compare with last year's increase of 717,000 bu.

The overnight news was rather encouraging, as there had been rains in Iowa and Missouri, and many parts of Kansas and Texas. In the latter state they needed the relief badly, and the rains must be very beneficial. We are told that Texas without a doubt, will sow the largest wheat crop on record. All the stations which our men have talked to in all directions say that farmers are going to plant heavily Some of the wheat is being sown as far south as Lamesa, which is 75 miles south of Lubbock.

For the time being there seems to be a very firm undertone, and no doubt the government purchases, both present and potential, are an important factor. What the situation would be without this artificial influence is difficult to tell, but in our opinion prices would be considerably lower. Corn was also strong today, and there was a good commercial demand. Some of the industries are looking ahead as far as November for their supplies. In oats, it is difficult to tell what will happen tomorrow, as it is the last day for trading in the September future. In the final analysis we feel there is enough grain so that eventually prices now being recorded may appear high.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

Sept. 23, 1946.

When the laws of supply and demand are functioning unrestrictedly the strength or weakness of the buyer or of the seller must necessarily enter into all price-making. The demand side is generally the sensitive side of the market, because it shows the consumer's ultimate force in directing what shall be produced by deciding what shall be consumed. If ever there was a time in history when this was brought out forcefully, it was recently in the case of meat when the price ceiling came to an end. The consumer was able by his purchases to pretty well dictate the amounts that came forward from the farms, and in the final analysis this would have brought into balance supply with demand. However, when ceilings were re-invoked the consumer became more or less helpless. He was at the mercy of the limited quantity ofmeats that had been accumulating in the various centers, but apparently these were not sufficient to satisfy public demand. Thus there has been a general outcry on part of the housewife, and also, on part of the workmen who need their meat, to drop the whole system of controls, so that we can get back to a more normal basis, and in short to let supply and demand take over where regimentation and controls have failed. Unfortunately we have to go through one of these artificial cycles before the marketing system of the country can be truly appreciated. The same thing is taking place now in Canada, but we believe that the farmers in the West are slowly but surely learning that the organized exchange was their real friend, and that they are not being benefited by government control of acreages, prices, exports, etc., which finally works to the detriment of the producer. Experiments of this kind are not new. Brazil tried it with respect to coffee; Britain tried to stabilize rubber, and at present has eliminated futures markets for the distribution of cotton and grains; Cuba tried to stabilize prices on sugar, while on this Continent we cannot overlook the Farm Board, and the Wheat Pool in Canada, but most of them ended in disaster, but yet they had to be tried out before the legislators were finally convinced that the markets performed an economic function. When left alone, or in other words markets were free, open, and competitive, they made the automatic adjustment of production to consumption.

Late yesterday the President had nominated Mr. Harriman to be the new Secretary of Commerce. This was considered a good choice, and the stock market responded favorably before our market opened this morning. We believe, however, that grains would probably have been strong without that stimulant, for the reason that September oats finished at a premium over other months, and while probably the high price attracted an additional 500,000 bu cash oats to this market, still it is quite unusual that the September delivery could expire at a premium of 9¢ over November at the beginning of the crop season, having just raised a bumper yield. There are, of course, many factors in explanation of this phenomenon, but possibly a combination of circumstances such as the car shortage and the holding tendency on part of the farmer are contributing causes. Shorts in the November and December delivery today became nervous, possibly figuring that there might not be any immediate relief, and this buying caused quite an upturn, which even spread to the March delivery, which up to now has been regarded as the one future that should be unaffected by the present tight cash situation.

In corn, it was noted that temperatures were lower, but there is no frost indicated for the main producing belt; in fact, most of the reports are very encouraging up to now, and the last two weeks have been extremely favorable for maturing of the crop. Still it should be realized that there will be many holes to fill in because the carryover from the present crop is small and many of the processors are waiting anxiously for the delivery of the new crop.

When the visible supply of wheat was posted there was an increase of nearly 2 million bu; total stocks now are 82 1/4 million bu, or 61 1/4 million bu less than a year ago. There was a decrease in corn, but this was to be expected as we are getting close to the end of the season for this cereal. Oats, however, increased only moderately and total stocks are just under 17 1/2 million bu compared with 38 million bu on hand a year ago.

Due to general nervousness there was considerable short covering in all pits; this gave us higher markets in wheat, corn, and oats. We are asked by a good number of people why there was such strength straight across the board; the chances are that the answer is that until we get more pressure from the country and an easing in general demand the short side will probably not prove too attractive.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Sept. 24, 1946.

According to advices from Washington, ceilings on beef and possibly all other meats may be removed sometime next month. We do not know what will be discussed by Secretary Anderson tonight when he makes a nationwide broadcast from Albuquerque, but in his discussion of the Nation's food supplies, he can hardly ignore the one need that is probably more pressing than any other. Schools, colleges, and hospitals, as well as housewives and laborers, are all clamoring for relief. We understand that a petition will be placed before the Decontrol Board about October 8th. The Agricultural Department officials, who must act on such a petition before it goes to the Board, are believed to favor an end to meat control, and are expected to forward it to the Board with their approval. In off-the-record conversations, they told reporters that a free market is the only path to increased meat production. With a new-record movement of cattle roaming the ranges, our nation is witnessing a paradox, with butcher shops in many parts of the country closed and dinner tables bare of beef except where the black market has been resorted to. This is the season of the year when cattle normally start moving off the ranges in large numbers, but ever since price controls were re-established on September 1st, the movement has been slow. Obviously it is not possible for any one man or any one agency to know all the answers. When we have rigid controls we find that even great governments like ours are apt to make mistakes in judgment, despite the fact that they have the best information at their disposal, and moreover, competent advice is always available. The trouble seems to be that every time we disregard commercial laws, it creates chaos and hardship.

When our market opened this morning, feed grains were rather firm, very likely influenced by the possibility that meat ceilings would be relaxed. However, there had been considerable short-covering yesterday; therefore, markets were rather mild and the advances were quite moderate. There had been no frost overnight, and according to the map readers warmer weather is in sight, so that given another two weeks the corn crop will probably be out of danger. With hybrid seed being so extensively used, we believe that maturity is somewhat earlier than formerly.

The Administration's agricultural planners are now toying with a scheme to turn surpluses either to scarcities, or to more moderate production after the present high demand for cereals subsides. In other words, they want to stave off overproduction by this device, which will reverse crop goals to acreage curtailment in order to attain a specified harvest and thus cut down our reserve stocks. In trying to hold down the output, experts are setting up a system of indirect penalties for those who fail to cooperate in the benevolent scheme to regulate agriculture. A trial run is being planned next season for potatoes, but will probably not be attempted for grains before the crop-year, 1947-48. In view of the fact that nobody can ever forecast yields accurately based on acreage, we would regard it as a very dangerous experiment to tamper with Nature. This year, for example, the European harvest was extremely favorable until the last few weeks when storms ravaged England, and present conditions are reminiscent of 1944 when considerable losses were caused through shedding and sprouting. Northern Continental countries would also like better weather for harvest, although there has been no word of serious damage or delays. In the Mediterranean area crops have all been gathered and yields are notably better than a year ago. Advices on Italy claim that deliveries are below expectations, but this is due more to price-fixing than to the size of the harvest.

Primary receipts of wheat were quite large today, and amounted to 3,595,000 bu compared with 2,823,000 bu last week, and 3,326,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 175,000 bu.

Markets were firm most of the session. At times profit-taking carried values below the previous close, but when the stock market regained some of its losses there seemed to be a fairly good undertone, and this was particularly true of oats. Offerings from the country are very moderate , and with the demand keeping up, there seems to be little pressure from hedging sources, although occasional liquidation on part of longs causes setbacks. We believe it will require larger stocks at terminal markets to bring about much of a change in the present outlook.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Sept. 25,1946.

It was thought possible that Secretary Anderson would say something with respect to higher ceilings on meat, but apparently the tone of his message was quite different, as the theme of his address was that present prices and ceilings were about as high as they need be in order to stimulate production. While Mr. Anderson made the assertion that he was not in favor of cheap food, he emphasized that prices should be reasonable because if they rose constantly it would not add to our domestic consumption, nor to our ability in being able to export surpluses in the days ahead. We doubt whether this talk had very much influence on our grain markets, but the fact of the matter is that there seems to be a pretty good demand for the supplies held at terminal markets, and in oats, even with a phenomenal crop, there have been no reserve stocks built up anywhere, so that whenever processors needed supplies they were virtually compelled to come to terminal markets. We understand that one of the large industries has not only sold its commitments heavily ahead for domestic use, but has also placed export business on the books. In some cases this has resulted in the buying of hedges, and possibly deliveries have been taken ever since July to meet these engagements.

All the news we get from the corn belt seems to be favorable. The recent frosts that had been expected failed to materialize and warm weather during the greater portion of last week promoted rapid maturity and drying of corn, although there was a change to cooler weather during the last few days over the north central areas, and on a few days there were some rather heavy rains. In Iowa where the outturn is always the largest, good progress was reported, and the crop seems to be in very good condition. What is needed most now is warmth and dryness for another week or ten days, and by that time the corn should be well out of danger. Later on, of course, movement of corn to market may bring about a change in the general psychology of the trade. We find at present that a good many who had previously been bearish are now on the long side of the market, and find very little resistance.

The Canadian crop for the most part is making progress. There have been rains over most of the provinces during the past week, and this undoubtedly will delay harvesting operations, although in the southern districts threshing of wheat and coarse grains is pretty well along. In some of the other areas where the plant was late, threshing varies from 20 to 90%, but it is hardly considered likely that fall frosts will cause much of a reduction in the crop. The heavy demand from export markets is likely to continue during the current season, but as many people point out, increased world production of foodstuffs must also be reckoned with, and the rapid recovery of agricultural production in European countries brings about a far different situation from that which we had after World War 1. It may take two or three years before we get back to a normal basis, but yet we are convinced that the exporting countries must accustom themselves to that idea rather than to feel that it may take five to seven years as was the case the last time.

Primary receipts of wheat were down to 1,200,000 bu compared with 1,171,000 bu last week, and 2,247,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 110,000 bu.

While there may have been a little hesitancy at the start markets all became very firm, and we saw evidence of heavy short covering in March oats. Apparently a sleeping interest in that delivery was finally aroused, because of the fact that spot oats are still bringing high prices, and #1 whites today sold at 5 1/2¢ over November, and the whole cash market was very strong. It is also felt that in wheat, even though the CCC has not bought much during the past week or ten days, that they are still in the market for large quantities during the next few months. Nobody can figure out exactly how they are going to get their grain except by coming into the open market and probably bidding up the price. Even now it is not easy to acquire large quantities without paying up. So this whole picture is mysterious and quite puzzling to the grain men. At least for the moment there is nothing very bearish in wheat; what the situation will be later on if we get a heavier movement from the country, or when the corn starts to move is difficult to tell. The stock market was again quite strong today, and may have encouraged some of the buying in grains, but on the whole they needed very little encouragement from outside sources.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Sept. 26, 1946.

For almost twenty years this country now has experimented with crop controls, price controls, and other panaceas rather than resorting to fundamental economics of supply and demand. In fact, there are many members of the younger generation who cannot remember when we had a free economy in this country, and who have been brought up and educated along the lines of government controls. Many who have been brought up in this new school of thought think that the only progress that can be made is under such programs. They totally overlook the fact that prior to World War I, in a free democracy, we enjoyed nearly 50 years of what was called, "The Golden Era," when social advancement was made, although probably not fast enough to satisfy certain elements and when the standard of living in this country became the highest in the world. The price structure is a very intricate one. When there are no restrictions, the 140 million persons who are in this country are able to express their own individual ideas as to prices, and as a composite picture are better able to strike a compromise than any group of selected individuals or governmental agencies. Prices controlled below a free market level create scarcity, and as expressed by one economist, "Price is one method of rationing the scarcity, and is by all odds the simplest."

The present meat dilemma seems to be drawing to a head. Apparently many of those who favored the continuation of OPA and the controls of meat are now frantically asking to have these prices decontrolled. There is no meat in the butcher shops, and there is no meat on the individual tables. According to a Washington press dispatch, President Truman has been asked by both OPA Administrator Paul Porter and White House political advisors to issue an official statement settling once and for all the controversial question of whether meat prices will be decontrolled this fall. The House majority leader, Rep. McCormack, has demanded that meat controls be lifted for sixty days to allow a new study of the meat situation. The only fault that we can find with Mr. McCormack's demand is that he has put a time limit on the lifting of restrictions. Either the restrictions are justifiable and are working to the best interests of the country, or they should be lifted indefinitely. No business can function properly with threats continually over their heads, and without being able to use their own initiative and to set their policies, not for a day or two but for a reasonable period of time. Even where prices have been decontrolled, as on grains, the threat of again invoking ceilings is a great detriment to the trade. As has been recognized by the majority of economists and authorities who have studied marketing conditions, the proper functioning of the grain exchanges enables the trade to handle the farmers' products on an extremely close margin of profit. But with this threat overhanging markets, it prevents the proper use of facilities by the hedgers for the protection of their purchases and sales.

The action of the egg market seems to be a typical example of the great uncertainties which exist when prices are subject to government controls, and the great difficulty to evaluate true values. When ceiling prices were re-established on meats, the price of eggs rose, as well as poultry. Today the November egg market broke the full permissible limit for one day: namely, 200 points, due to the fact that meat prices are under discussion. It makes the hazards in business extremely grave.

Primary receipts of wheat today totaled 2,039,000 bu vs 2,733,000 bu last week, and 1,985,000 bu last year. So far this week stocks at Minneapolis and Kansas City have decreased 2,000 bu.

From our friends in the milling trade, we understand that the price situation is again becoming critical; bakers' flour which represents a big bulk of the flour business in this country cannot be sold now at a profit. There is still some profit in family flour, but this only accounts for 15% of the total which is milled. The meat shortage is also having an effect on the milling business, due to the enormous amount of chickens which are being raised, creating a demand for mill feeds, such as bran and shorts.

Monday will be the last day for fulfilling September contracts either by delivery of warehouse receipts or delivery on track. The anxiety of the shorts to complete their oat commitments has undoubtedly imparted strength to that cereal, which now may ease. The basis of cash oats today is about 1¢ lower.

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CHICAGO, 4 September 27, 1946

In spite of all kinds of rumors that controls on meat might be removed or relaxed, there is no official confirmation that any change is in sight. A few days ago, Secretary Anderson was quite vehement in stating that present prices were high enough to encourage production for agricultural products. Yesterday, President Truman stated rather emphatically at a Press Conference that the price controls were not responsible for the current shortages in meat. He stated that the people of this country had eaten too much during July and August when ceilings went off and would now have to get along on shorter supplies until livestock that is presently being fattened had time to reach markets later in the fall. He added that all the talk of a meat famine was exaggerated but that in any case the present situation did not warrant removing price ceilings or calling a special session of Congress toconsider the matter. "Dire predictions of a meat famine are without basis," he said. This all in spite of the fact that the demand for relief, if anything, is increasing, and there seems to be a public outcry in various parts of the country for larger quantities of meat than are presently available. The present corn-hog ratio in Chicago is 8.4 compared with 8.7 last week and 12.3 a year ago. But this, of course, is based on cash corn, which at present is bringing very much higher prices than we shall have as soon as the new crop becomes available in commercial quantities. It is quite obvious that if feeders had to buy corn at present levels, it would not pay them to feed either hogs or cattle, but there is no immediate worry for the reason that pastures in the country are generally above average, and the chances are that during the next thirty to sixty days corn will be selling at a price reflecting the large prospective crop.

Weather at the present time is extremely favorable for maturing corn. In Iowa, it is in the various stages of the finishing-off process. True, some is still in danger of reaching maturity, and some still has a high moisture content, but it should mature shortly. A high proportion is now getting into the hard-drying-out stage, and probably given another ten days of good weather, we should have a very large percentage of merchantable corn. Fortunately the late fields represent the minority portion of the 1946 crop, and do not involve a larger proportion of the total corn acreage than normally.

As for wheat, we find that the cash situation is strengthening, both Northwest and Southwest. It is not easy to buy large quantities, and the country is not pressing sales. It is considered likely that all the mills will do a good export business in flour as soon as the October quotas are announced. Furthermore, there would be a larger private business handled for the exportation of wheat if permits were now available. However, most of the business is still being handled by the CCC, and we feel that unless they buy on a heavier scale they are not going to meet their quotas, but this simply brings up the problem of having to do a bigger business later, and thus there is always the possibility of sharply higher prices if the government agencies become nervous and decide to buy aggressively.

For the last few years a good deal of grain has been used in the Argentine for fuel, but the chances are that with transportation facilities easing this will no longer be the case. Recently an agreement was reached that Argentina would supply the Union of South Africa with about 10 million bu corn between now and the end of the year in return for 275,000 tons of coal. Argentine ships will be used as much as possible in transporting the cargoes for both commodities.

Primary receipts of wheat amounted to 2,682,000 bu compared with 2,434,000 bu last week, and 1,950,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 245,000 b

Commercial transactions are not being directly reflected in the price level, although in a general way wheat could only remain at the $2.00 level or so for the January delivery because of the fact that the cash markets everywhere remain strong. This does not mean that they will necessarily be higher every day, but on the other hand until there is a freer movement from the country, any great weakness is not to be expected. There is still no indication that there will be any easing in the car shortage; in fact the ODT is rather pessimistic feeling that cars will be scarce for the next year or two.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 September 30, 1946

Colder weather was recorded almost everywhere, although on the West Coast people sweltered in a 98-degree heat. Frosts were reported in Iowa, Minnesota, and Wisconsin, but the important corn belt regions were not visited, and we believe that recent favorable weather has added millions of bushels of merchantable corn to this year's crop. Reports from Illinois were highly optimistic, and Baldwin spoke of only light rains the past two weeks, so that corn has made rapid strides toward maturity, and as a result a wonderfully uniform heavy crop of excellent quality is practically assured.

The trade was influenced by reports of this kind, as well as by heavier offerings from the country onSaturday, with both old and new corn now coming to market. Some cash interests are still bidding about $1.85 for old corn, but this is a reduction from $2, which recently was paid, and if farmers want to sell November, December, or January cornthey are compelled to accept prices at about the January range, and we understand that most of the bookings are for two or three months optional shipment, in view of the fact that the car shortage makes country dealers hesitant to sell for any specified time. First quotations in wheat were quite weak, but this was principally due to small selling orders, and the market gave ground rapidly but recovered just as quickly when others tried to buy. In view of the fact that margins are still held on a very high level, it seems difficult to get much of a public interest here, and even hedgers have been handicapped in their operations.

There is very little new in the world wheat situation, but Broomhall in discussing some of the topics that were taken up at the Copenhagen Food Conference told of a plan to prevent gluts and scarcities of wheat and other foods based on a reasonable reserve, as well as minimum and maximum prices, which seem to have been the chief items on the agenda. This has always been one of the major problems, but even before the war the surplus countries would have found it much easier had they had some cooperation from the importing countries on their buying policy. Restrictions, quotas, foreign exchanges, etc. were all matters that handicapped free trade, and this British authority now believes that the first aim should be to pursuade all the regular importing countries to abandon uneconomic production of home wheat-growing, which even more than the excess production in the surplus countries was responsible for the pre-war slump. Broomhall stresses the fact that in the pre-war slump when wheat could be purchased in international markets at about 1¢ a lb, the poor countries did not exactly jump at the opportunity to improve their diet. This in spite of the fact that they could scarcely have obtained wheat more cheaply unless it had been given to them. In one year ex-European demand reached a figure of about 240 million bu, but that improvement was shortlived. In other words, it was not long before duties were clamped on with India one of the main offenders.

Primary receipts of wheat amounted to 1,739,000 bu compared with 2 million bu last week, and 1,663,000 bu last year. When the visible supply was posted there was a decrease of 3,896,000 bu, which was considerably more than last year, but we find that stocks at the seaboard and at the gulf are being shipped for export apparently by the CCC. Total supplies in all positions are 78 1/2 million bu, or 63 1/2 million bu less than was on hand a year ago. Chicago stocks also decreased about 1/2 million bu, bringing our supply down to 3,161,000 bu. The oat visible showed an increase of a million bu, but the total is still 21 million bu less than we had last year same date.

Markets toward the last all became quite weak, corn leading the decline, Wheat and oats, which had been fairly firm and strong early, finally yielded ground, and, of course, corn is still the king cereal, so that weakness there cannot be ignored. For several years when corn was scarce, substitute grains were needed for feeding, and it does not appear as though this year we would have to follow through on such a plan.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Oct. 1, 1946.

Although frosts were rather general in Illinois, and a good many of them were reported in Indiana, we feel that the crop is practically assured. The maturity with hybrid seed is earlier than it used to be. The average killing frost for Illinois is about October 8th to 11th, and we have had very few frosts during the past twenty years which occurred before September 15th, although often when they came early we used to have a good deal of unmerchantable corn. This year we not only feel that the crop will be the largest in the history of the country, but it will also be of high quality. Furthermore, this will complete a quinquennial of crops that have exceeded the 3-billion-bu mark. Only one year in history has that previously occurred: namely, in 1920, when the yield was 3,070 million bu. The largest crop prior to the present one was in 1944, when 3,203 million bu was gathered.

For some time we have been of the belief that, despite the large yields, a loan reckoned on 90% of parity would impound a considerable percentage of the corn which might otherwise be marketed. We have stated on several occasions that with the cost of living continually rising, parity for September might be sufficiently high to bring about a loan of about $1.30 basis Chicago figuring on average freights. However, when the indices of prices were computed and published yesterday, there was a surprise furnished to the trade in that parity both for corn and for wheat was reduced by 3¢ per bu. This decline, the first since 1940, was due mostly to sharp reductions in the indices of food and feed prices, which more than offset slight increases in indices for other important groups of commodities bought by the farmer. However, at 210% of the 1910-14 average, prices paid were still 29 points higher than a year ago, and 8 points above the World War I peak annual average of 202%, which was reached in 1919. To give a more vivid example of what is happening, livestock and livestock products are now 250% of the base period, although there was a reduction of 13 points from August 15th, and the present index is 47 points higher than a year ago. Most housewives are fully cognizant of this when they make their daily purchases. The fact remains that we must give more consideration to the possibility of further declines in parity levels. The farmer, of course, has been very enthusiastic about the formula, because almost each month since its inception there has been a successive advance, and this was always an important factor in determining loan levels, but should the reverse take place, it is bound to be distasteful.

When our market opened prices were somewhat lower, but apparently urgent liquidation in corn which we had for the past two or three sessions was not early in evidence, and, therefore, the initial recession in today's market was only moderate; although final prices were somewhat lower, after suffering early weakness November oats finally showed strength. With the movement of soybeans and corn just around the corner, even though supplies of oats in the country are plentiful, we do not contemplate any large movement for the present. There is a possibility that shorts in November will have to scramble a little to meet their commitments, as was witnessed in September.

Primary receipts of wheat today totaled 3,222,000 bu compared with 3,595,000 bu last week, and 3,271,000 bu last year. So far this week stocks at Kansas City and Minneapolis show a net decrease of 141,000 bu.

According to a Canadian report the moisture condition in the Argentine has been extremely favorable for the new grain crop, and total production, under proper conditions might exceed 200 million bu, giving that country about 100 million bu for export.

The cash basis of wheat in Kansas City was about 1/2¢ lower, and the mill demand extremely quiet.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

MEMBERS:
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NEW YORK COCOA EXCHANGE
NEW YORK COFFEE AND SUGAR EX.
COMMODITY EXCHANGE INC.

UHLMANN GRAIN COMPANY
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141 W. JACKSON BLVD.

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DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 October 2, 1946

Before the opening of the market this morning, there were a good many things that traders had to consider. First of all, the sharp rally in November oats yesterday created the belief that there might be a tight situation next month, the same as there was in September, and the fact that one of the large elevator concerns in Chicago was reputed to have increased their bid to the country caused talk that the Eastern demand might soon pick up again. It is, indeed, surprising that with one of the largest oat crops in the history of the country, shortages at terminal markets should be noted so early in the season. Nevertheless, it is a fact, there have been no reserves built up at primary points, but this may finally change with the huge corn crop soon to be harvested. It is hardly conceivable that producers can hold back wheat, oats, and corn when there have been such bountiful crops raised. There was another factor that received consideration: namely, an indication that export quotas would be announced soon for the fourth quarter of this year. It is thought that about 7 million bu oats and 10 million bu corn will be allocated to foreign claimants, of which about half might be handled by the private trade and the balance by CCC.

In other quarters we heard comment that with so much conversation on the meat situation over the radio that possibly ceilings would be removed, but there is no indication that any immediate relief is in sight. It is true that an acute situation is at hand. Meat production under federal inspection for the week totaled 80 million lbs, according to the U. S. Department of Agriculture. This was about 14% above the 70 million lbs produced in the preceding week, but, nevertheless, 73% below the 292 million lbs recorded for the corresponding week last year. Cattle slaughter ran about 75% below last year, of which beef production was calculated at only 39 million lbs compared with 173 million for the comparable week in 1945.

Taking it all in all we must recognize that the recent decline in corn has taken about 12¢ from the price in a rather short period. Therefore, technical reactions might be due even if there had been no stimulating factors. It is true that the crop is still in very good shape, and not only this, but the quality is such that Mr. Berger, President of the American Feed Manufacturers Association, believes that we shall have 600 to 700 million bu more corn than a year ago on basis of feeding value. Consequently, it probably follows that the demand for substitute grain, including wheat, will probably lessen as soon as corn comes to market in commercial quantity, or is available to feeders both on farms where raised and to locations where it is purchased from surplus sections.

Wheat purchases by CCC are proving very disappointing. In the weekly period of September 20th to 27th, the Chicago branch was unable to buy anything. Same was true at Kansas City, while Minneapolis purchased only 301,000 bu and 266,000 bu was acquired out on the West Coast. The cumulative total since the new program went into effect shows about 18 million bu acquired by CCC, but in view of the fact that we have an export goal of some 250 million bu, it is our thought that each quarter of each month that we fall down will mean that that period will not be made up at a later date, so that the early estimates will probably show a reduction even though there may be more aggressiveness displayed a little later on.

Primary receipts of wheat amounted to 1,713,000 bu compared with 1,200,000 bu last week, and 1,968,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 155,000 bu.

Markets were rather firm right from the start, and during the session brokers identified with export houses seemed to have had orders for the purchase of January corn. This gave us a considerable advance, and the cash markets also strengthened, with #2 yellow corn bringing $1.87 in the spot market, or an increase of about 5¢ from yesterday. Cash oats were also very steady, and there is a disposition to believe that if corn and beans are moved first by farmers we may not have much pressure in oats until later on. This was responsible for buying of November futures, with the more deferred months also up in sympathy. Wheat prices were quite firm, but trade was very small. We note that yesterday there was only 145,000 bu transacted in all three futures. Late in the day it was reported that 200,000 bu oats was sold for shipment from Chicago.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 October 3, 1946

The carryover feeling from yesterday was moderately bullish. While ordinarily the exportation of 7 million bu oats and 10 million corn at the beginning of the season would have very little effect, one had to take into consideration that unless we should get larger accumulations at primary points there would be a further drain on domestic supplies; even now with practically no oats sold for foreign shipment, we find that stocks are extremely moderate. One of our friends in the Northwest suggested that if cars had been available after harvest, a good deal of oats would have been sold to come to market. However, the farmer, unable to sell at that time, simply placed his oats in bins, and it seems that we have hardly had a movement of any consequence since. It is now figured producers will probably be more anxious to market corn and beans, and from that point of view oats may remain on the farms until possibly after the turn of the year. There was not the persistent buying today by cash houses, although before our market opened we had been given reason to understand that bids to the country were raised possibly 1/2¢ per bu for both oats and corn, and, therefore, it was practically a foregone conclusion that first prices here would be higher. There was also strength in wheat, although the volume is still extremely disappointing, and there seems to be hardly any commercial business because of the state of the market. We believe that high margins have a good deal to do with this. Consequently, any elevator concern selling either to mills or for export must depend largely on the cash markets.

One of the private experts gave his views of the corn crop, and there was very little change during the month. However, a yield of 3,326 million bu is still extremely large, and exceeds all previous records. Recent increases in the hog price ceilings and the decline in corn prices has suggested that the spring pig crop of 1947 may be equal or slightly larger than the 1946 spring pig crop of 52 million head. The hog-corn price ratio in early September was materially under the long-time average for the month. However, the ratio should increase after new-crop corn is harvested. As the government points out, "Even if corn prices should go as low as support levels (90 percent of October 1 parity), the ratio during the early winter, on the basis of the present hog ceiling, would not be favorable for a material increase in the 1947 spring pig crop."

General rains were received in the Argentine yesterday, but clear, warm weather is badly needed to complete planting of the new corn crop. According to recent reports, it is likely that they will have a wheat crop of some 200 million bu in that country, and, therefore, there should be fair amounts to spare for export. In France conditions have been quite satisfactory, and wheat production is now officially estimated at 244 million bu compared with only 184 million bu last year and 256 million bu in 1944. The pre-war average was about 286 million bu. Some well-posted people are of the opinion that the only needed imports this year will probably be durum wheat, although, of course, France often takes some grain from her African colonies.

Primary receipts of wheat amounted to 1,922,000 bu compared with 2,039,000 bu last week, and 2,392,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 262,000 bu

Best prices were registered before midsession, thereafter enough profit-taking came into the pit, and some hedging of corn, which caused moderate weakness.

The allocations for the last quarter of the year were announced; apparently Mexico will be permitted to take 2,613,000 bu of wheat from here; it was thought that a good part of this business might have already been consummated, but there are other important recipients, such as Belgium, The Netherlands, Brazil, and miscellaneous. During the marketing year the government plans to ship 400 million bu grain and grain products, and with the allocations now made, 55% of the goal should be reached by the end of the year; whether shipping difficulties and other handicaps will interfere is difficult to tell.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 October 4, 1946.

The allocations of grain and flour which were announced yesterday seemed very large when published, and particularly since the government is trying to make up for the losses of the third quarter by shipping a larger quantity of grain during the present three-month period. In other words, there is an extra 33.6 million bu that they are trying to clear before the end of the calendar year. Whether they are going to be successful in view of all the maritime strikes and other hindrances is, of course, difficult to tell. Roughly, they seem to have a program involving the exportation of various commodities as follows: 39 million bu wheat, 32 million bu flour (in wheat equivalent), 10.1 million bu corn, 4.4 million bu oats, and 2 million bu sorghums, or a total of 87.5 million bu of all grain. Added to this the amount from the previous quarter, which they hope now to get into export channels, it would mean a total of 121.1 million bu all grains and flour combined. This, of course, would be a very energetic program, and would possibly tax our transportation facilities to the utmost. We regard it as particularly ambitious with respect to wheat and flour but 10 million bu corn should not prove too burdensome in view of the fact that we are going to have the largest crop in the history of the country. Likewise 4.4 million bu oats would only be at the rate of 1 1/2 million bu per month, and would likewise not strain our supply picture unless, of course, everything had to be taken out of the present accumulations.

Possibly it was felt today that this news had been discounted, and when our market opened it did not stand very much selling, although most of the early weakness came in wheat. On very small quantities that were offered, we had a decline of over 2¢ per bu, and here, again, we are stressing the fact that the market is not large enough for commercial transactions. Those who bought hedges in wheat yesterday as a protection, and who had likewise purchased cash wheat in the country overnight, found that when they tried to sell out their hedges the market faded quickly. Thus we again find that the functions and usefullness of a market are greatly hampered when margin requirements remain so high. The natural consequence has been that volume of trade has been small, and it is definitely hurting business.

While the immediate outlook in wheat is not too strong, much will depend on the quantities which we finally furnish to the importing world. The Monthly Review, published by the Ottawa Government, believes that Australia and Argentina can probably not furnish more than 150 million bu during 1947. They also allow for the shipment of 250 million bu from Canada, although we believe this figure is too low based on crop and carryover data. They have in mind that wheat feeding to animals is likely to be higher than last year due to a considerable outturn of low grade and frosted wheat in the Prairies this fall. Should their assumptions be correct, then whatever deficits occur would have to be made up by us. Consequently there are still a good many uncertainties ahead, although the more we discuss this matter with our friends from abroad, the more convinced we are that it will be only another two or three years that the very heavy demands will be made upon the surplus nations. Possibly it may not even take that long to get back to a more normal status.

Primary receipts of wheat amounted to 2,547,000 bu compared with 2,682,000 bu last week, and 2,073,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 155,000 bu.

The wheat market may have been influenced by the overnight rains. There was very beneficial precipitation over many sections of the Southwest, extending into the Texas Panhandle, and also western sections of Kansas, which, of course, is very favorable after seeding.

There was no particular news in coarse grains, although the market received support at times from brokers who are apparently buying for cash corn interests. On the other hand, there was also some hedging, and this is to be expected now with the crop getting closer to maturity. November oats were quite strong, and rallied easily from periods of weakness. The open interest is still very large, and if longs stand for delivery we might still have a rather tight situation, and possibly a further premium over the deferred months than at present.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 October 7, 1946

There has been a tightness in all cash grains for nearby shipment. Cash corn for the first half of October shipment has advanced 20 to 25¢ a bu within the past ten days. This condition will no doubt continue until there is a freer movement of the new crop, and until some of the holes are filled and stocks replenished. However, in taking the long view point, the U. S. Department of Agriculture, in examining the feed outlook for 1947, anticipates that prices of corn are likely to decline sharply in October-November as the new-crop corn is marketed in volume. They look for prices of livestock and feed grains to average higher during the first half of 1947 than in 1946. They point out that the supply of feed grains is more favorable than any year since 1942; that the total supply of feed concentrates is estimated at 162 million tons, which is slightly higher than the previous season, and about 15% larger than the five-year average of 1938 to 1942. The total supply of feed concentrates per animal unit should also be 6% larger than last year, and after deducting prospective exports, supplies available for feed and carryover should be greater than the previous year. Livestock numbers are declining and it is estimated that the number of grain-consuming animal units on the farms January 1, 1947 will be 4 to 5% less than on January 1, 1946. Feeding operations, of course, have been the keynote of markets, but the livestock producers and grain processors should be able to obtain adequate supplies of feed grains with much less difficulty than during the last year.

The Agricultural Department is looking for larger marketings of both corn and oats than usual, and are anticipating that the carryover of corn at the end of this crop-year may be increased to a total of 400 to 500 million bu, which would compare with 200 million bu on October 1st this year. They are further anticipating a larger carryover of oats. In arriving at these figures, they are allowing for probable exports of corn of 100 million bu, and a step-up in the utilization for the production of alcohol and distilled spirits if restrictions are removed. In fact, the same source forecasts that corn prices will range only moderately above the support levels during much of the present crop-year. As far as oats are concerned, they do not anticipate that there will be as much fed as last year due to the probable availability of corn, and even though a larger quantity may be exported an increase in the carryover on July 1, 1947 is looked for, with prices averaging moderately lower. The anticipated carryover is approximately 350 million bu as compared with 281 million bu on the 1st of July, or an increase of 69 million bu. As far as wheat and rye are concerned, for feeding purposes the Department is figuring, as has been forecast in the past, a sharp reduction in the quantity of wheat to be fed. It is estimated that 314 million bu was fed to livestock during the 1945-46 crop, and that probably only half this will be fed in the present crop-year. As far as rye is concerned, with the present small supplies, feeding will be down to a low level. They look for an accellerated output of wheat mill feeds as very probable.

Primary receipts of wheat totaled 2,110,000 bu compared with 1,739,000 bu last week and 2,008,000 bu last year. When the visible was posted, wheat stocks showed a decrease of 487,000 bu, and now total 78,015,000 bu, or 63,133,000 bu less than a year ago. Wheat stocks in Chicago decreased 570,000 bu, standing now at 2,591,000 bu.

There were copious rains over the week-end throughout the Southwest, including the Texas Panhandle, where Amarillo had 2 1/2 inches. These rains will be very beneficial for fall sowing, and should insure the ground being in splendid shape.

The Baldwin Elevator Co. reporting from Central Illinois states that the weather has been wonderful for corn curing, and that the crop has been pushed along rapidly.

Our market opened higher this morning, stimulated mostly by the strength in corn. The aggressive bidding-up of cash premiums for prompt shipment has led to a temporary friendly feeling toward that cereal. The wheat pit is still neglected, and trading in oats is more two-sided at the moment.

The open interest in November oats on Saturday decreased 1/2 million bu, and still stands at approximately 7,600,000 bu. Whether a tightness will develop in the November situation similar to what we witnessed in September remains to be seen.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 October 8, 1946.

Only on rare occasions do we have bumper crops accompanied by very high prices. Nevertheless wheat futures yesterday reached a 21-year peak, when the January delivery sold at nearly $2.05 per bu. Possibly this was due in part to the current shortages of rail transportation for the movement of agricultural products, but in any case this situation is expected to continue through 1947. The Department of Agriculture estimates that farmers during 1946 will receive the highest cash receipts for marketings in history estimated at $23 billion. The prospect for next year is somewhat less favorable, but yet $22 billion is the figure they have in mind, and the report indicates that a potential increase in livestock income next year may be offset by a decline in crop income from this year's levels. Of course, this is all on the assumption that we raise normal crops, but in view of moisture, which is now occurring both Northwest and Southwest, the outlook is more than favorable at least at the start.

Food supplies for civilian consumption in 1947 are expected to continue at about the high level reached this year. As an indication of how well we are faring, despite some shortage, our per capita food consumption is estimated now to be about 15% higher than it was in the five-year period prior to the war. This is all taking place in spite of exports, but, of course, record food production and the reduction in the supplies needed for military use are enabling us to maintain present high levels. Even in meat where there are so many discussions taking place daily, every man, woman, and child is estimated to be consuming about 140 to 150 lbs per annum, which is still greater than it was before the war; but of course many people in the lower income brackets have increased their consumption, while others have been forced to effect economies. Civilian supplies next year are expected to be about the same as at present, and less will be exported. There will probably be somewhat more beef and veal but less pork, lamb, and mutton in the year ahead. Our largest consumption occurred in 1944, when it averaged 148 lbs per person, at least that was the highest figure since 1911.

For the time being we are finding an expanded demand for the small supplies of corn on hand, and the high premiums being paid exert a bullish influence on futures markets. However, one has to take into account that the large crops of wheat and oats are also slow in being marketed, and the full effect may not be a factor until much later in the season. However, those who are more conservative in their attitude feel that present prices, at least for the deferred futures are high, and this is creating some hesitancy with the result that the distant futures are selling at large discounts under current markets.

Primary receipts of wheat were quite large, and amounted to 3,610,000 bu compared with 3,222,000 bu last week, and 3,137,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 7,000 bu.

Statistics are having very little effect upon the market; as a matter of fact wheat trade is very small, and the volume yesterday was only 373,000 bu, with an open interest of 3 1/2 million bu. Apparently a good many cash transactions are being placed without the exchange of futures.

When our market opened this morning prices were generally firm to higher, and this was particularly true of corn, where in the spot market there was an advance of 2 to 3¢ over yesterday, with processors paying $2.00 per bu for #2 yellow corn. Of course, it is going to take longer than a good many people figured to fill the holes, although, of course, a great deal will depend on the size of the movement after harvest. Present bookings are just moderate, and supplies of old corn are pretty well exhausted.

There was some very beneficial moisture overnight both Northwest and Southwest; torrential downpours covering a wide territory in the Texas Panhandle, and drought-breaking rains have virtually assured winter wheat pastures for livestock grazing on the South Plains and the Panhandle areas of western Texas.

The CCC is buying very little wheat in any of the markets, although a little spring wheat has been acquired the last two or three days in Minneapolis, the total amounting to about 925,000 bu. Those who are bullishly inclined figure that the government sooner or later will have to re-enter the market if they intend to live up to the export goals established earlier in the season. Firmness in oats was derived mainly from the great strength in corn, although the December future was in better demand than heretofore. It was claimed that 200,000 bu were sold to Britain.

DAILY MARKET LETTER

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CHICAGO, 4

MEMBERS:
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CHICAGO MERCANTILE EX.

October 9, 1946

After the close of our market yesterday, stocks became quite weak, and most issues were lower again this morning. We have heard all kinds of arguments set forth as to the precise cause of the recent weakness, but apparently the market is in a way a poll of public opinion as to future business prospects, and the voters are backing that opinion with their money. It was interesting to find a leading article in the last London Economist to reach this country, asking the question, "Whether another 1929 is in prospect?" Apparently it is not the English belief that we are headed for anything that drastic. But the big question which they ask is, "Whether the volume of demand for the products of American industry can keep up to the level that is necessary to maintain reasonably full employment?" They point out that even now the American economy is capable of producing at least $180 billion of goods and services a year, which means that we must sell $180 billion of goods and services if we are to avoid unemployment. The short-term answer is that it can and has been done. Thus the picture is undeniably favorable. The real test, as Britain sees it, is still to come, and while there is a large pent-up demand they wonder whether this will continue when the non-recurring source of demand has been worked off.

It seems that the fluctuations in the stock market, which are so often important to grains, have had much less than the usual influence. We were, however, guided by a slight weakening of the cash oat premiums yesterday, and when about 150,000 bu oats were offered in the November future this morning, and immediate decline of about 2¢ per bu occurred. This may have been partly due to technical conditions with so much short-covering during recent sessions. However, it does indicate that the bull side is not entirely without danger. If small crops had been raised we would consider the situation completely different. However, when farmers temporarily hold back their produce or are compelled to do so by lack of cars,we must recognize that there is always the possibility that this situation may change, and oftimes it comes quickly. In corn we have rather an intermediate situation, just finishing a crop season when supplies were sharply dissipated, owing to distortions between livestock and feed grains. However, in a few weeks everything may be different, and much will depend now on the speed with which corn comes forward from the farms. Those who are bullish claim that the pattern set for oats may be repeated in corn, and particularly so since farmers are at present very prosperous. Their cash receipts from marketings in the first nine months of 1946 amounted to $15.1 billion. This is 6% more than the revised estimates for the same months in 1945. Receipts from livestock and products probably totaled about the same as in this period last year, with dairy products slightly higher and poultry and eggs somewhat lower than in 1945. In any case, income tax problems are now important to producers, and possibly they may wait to market their crops heavily until after the turn of the year.

Primary receipts of wheat were rather small, amounting to 1,231,000 bu compared with 1,713,000 bu last week, and 2,011,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 17,000 bu.

There was considerable support given our market at various times, especially in corn, one of the leading houses making repeated purchases, but in spite of this buying, there was only fair response, and apparently after an advance of 5 to 6¢, such as we have had, there must be profit-taking also, but it was on a moderate scale, and the selling was more difficult to trace. Trade in wheat still continues extremely light, and the volume is averaging about 350,000 bu per day, which is hardly enough to keep one broker busy in normal times.

For reasons previously stated oats opened weak, but when the yellow cereal turned strong, there seemed to have been more short-covering. There is still a very large open interest in the November future, with more than 7 million bu still to be liquidated, but apparently the shorts are less aggressive after the sharp advances which we have had and with cash and futures coming closer together. The only fear seems to be that if there should be further export business the CCC might take stocks from this market, although there is certainly no indication that this will be done. For the time being the market seems to be more debatable, and we understand that the allocations to Britain for the fourth quarter of the year have been fully satisfied. Cash premiums on corn to arrive were $2.00 today, and only a 5¢ concession for new corn if shipped within five days. This apparently is holding down the farmers' marketings of new corn. UHLMANN GRAIN CO.

DAILY MARKET LETTER

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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 October 10, 1946.

In discussing the weakness in securities, one may be accused of exploiting the proverbial adage that, "Hindsight is better than foresight.". Nevertheless, it is a fact that the large national income, the tremendous amount of money in circulation, and the inflationary factors lulled many people into a sense of security with the result that only a few have probably taken advantage of previous high prices in reducing their holdings. We are wondering whether the farmers are not making the same error in their holding tendency on the belief that government support, relief buying for Europe, and high parity will usher in a new era for agriculture. One cannot overlook the fact that present farm prices on almost any kind of basis are very high. As an example, an acquaintance of ours bought a farm in Missouri last year for $75 an acre. He planted soybeans and is harvesting 30 bu to the acre, thus realizing about $69 per acre for his beans, or practically as much in one year as his investment. We also have to take into account that while Europe is paying tremendous prices for wheat and feed grains, the situation will not always remain that way in view of the poverty occasioned by the war.

At the moment the grain situation looks undeniably strong. Hardly ever in history has cash corn brought such prices just on the eve of a movement. Part of this is due to a shortage of cars, but most of it may be attributed to the dissipation of supplies because of low corn ceilings last year, and the fact that many farmers fed heavier in order to avoid black markets. On the other hand we are having exceptionally good weather. Beans in Illinois are being harvested unusually early, and probably by the end of this week 80% of the crop will be out of the fields. This may not be true of all territories, but seems to be quite general. Thus it is reasonable to expect that by October 20th, if the rush to market beans is over, some of the country stations will be attempting to get quick shipment corn to markets in order to take advantage of the fancy price level. Whether the buyers will back away when the movement starts in earnest remains to be seen, and will depend also on the availability of freight cars. Many producers, we are told, will have a good deal of surplus corn because of the large outturn and will not be able to crib it all. The present situation appears to us as an intermediate one, with everyone in the country swamped trying to take care of beans, but with the bumper corn crop in prospect we feel that caution should be observed. After the close of the market we should have a government report and it is possible that there may even be an increase over last month's figure.

Little is heard these days of Canadian wheat exports for the reason that with the British contract concluded, probably about 160 million bu will be sold to that one country during the current season. Canada's crop and carryover is estimated at 510 million bu. Assuming domestic requirements of 150 million bu, net supplies are 360 million bu, so that after deducting the quantities to be shipped to Britain, there is still about 200 million bu for export to other countries or for carryover. Estimated exports of wheat and flour during the first nine weeks of the season are approximately 36 million bu to all destinations. Our own situation would indicate heavier exports, and while we are not using official figures, it is considered likely that during the first fourteen weeks of the crop-year we have exported about 89 1/2 million bu, including flour.

Primary receipts of wheat were 2,213,000 bu compared with 1,922,000 bu last week, and 1,868,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 237,000 bu.

The markets were all strong and cash wheat, both Northwest and Southwest, showed a better undertone. At Minneapolis it was 1 to 2¢ higher, so that even the 14 and 15% protein grades are now practically back to where they were before the recent break. On small volume our wheat futures were sharply higher. In corn a petition has been filed by packers officially asking for decontrol of beef, but we understand that all meats are included. The President, together with his chief advisers on political and food problems will probably hold a conference later in the day. On the assumption that ceilings may be removed there was considerable buying of corn, and the great strength of the yellow cereal also led oats to a higher closing.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 Oct. 11, 1946.

After the close of the market yesterday, the government report was issued, and it confirmed bumper crops of wheat and corn, although the increases from the previous month were only nominal. The important thing is that we have raised the largest high quality grain crops in the history of the country, and corn has matured with little frost damage . So from point of view of feeding value, it may be very much heavier than last year, estimated privately to be about 600 million bu better, although officially the crop is only 356 million bu larger. When we consider, however, that average production of corn in this country for ten years was only 2,608 million bu, it can readily be seen that we are dealing this year with very large quantities. In wheat, also, a record has been established, but in view of the fact that our carryover was very much smaller than last year, we started the season with total supplies of only 1,270 million bu compared with last year's crop and carryover of 1,404 million bu. Thus it is obvious that there was 134 million bu less wheat on hand on July 1, 1946 than a year earlier.

In trying to analyze the situation after the first quarter of the season, we have some comparisons now available, but not all. The commercial visible shows that present stocks are 67 million bu smaller than last year. This, however, is about offset by the amount of wheat on farms, which is 31 million bu greater this year, and exports for the first three months were 33 million bu heavier, so that the latter two items practically offset the reduction in the visible. Unfortunately we do not have the amounts of wheat held by large mills nor by the country mills and elevators, but assuming that those figures are about in line with last year, then it is quite apparent that the disappearance from July to October was very much smaller than the previous season, probably due to a smaller amount of wheat that was fed to animals. In oats, the picture is somewhat different, and we have virtually all the data by which a comparison can be made. The disappearance during three months amounted to 633 million bu, while last year it was only 466 million bu. Consequently the disappearance has been 167 million bu greater, but this was probably to be expected in view of the fact that there was very little old corn available. We now find that there is only 158 million bu corn left after raising a bumper crop last year of 3,018 million bu. Thus the extra amounts of oats needed for feed were great, but it is likely that the situation will gradually change as new corn becomes available.

When our market opened this morning everything was very firm, and prices ruled higher. The stock market opened strong on the possibility that all controls would be discarded, and since there is now the probability that restrictions on meat prices will be abandoned, it is felt that farmers may be encouraged to feed more, and that consequently our consumption of corn and oats will increase. This was the basis for the strong market yesterday, although it must also be considered that if the President or the Decontrol Board sanctions a change, higher prices for meat may encourage farmers to sell their animals on a greater scale.

Primary receipts of wheat were 2,194,000 bu compared with 2,547,000 bu last week and a holiday last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 269,000 bu. When the visible supply is posted on Monday, it will compare with last year's decrease of 3 1/2 million bu.

After mid-session there were some realizing sales in oats. The market was only fairly well supported, and the nearby months closed lower. This likewise influenced corn, although prices ruled higher than on the previous day. Wheat was fairly firm at times, but trade was small, and it is still difficult to fill orders. The close was very firm.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Oct. 14, 1946.

A good many people were of the opinion last Friday that the President might announce his policy on the meat situation over the holiday, but nothing was forthcoming, and we shall have to wait until tonight when this matter is clarified by a radio address. There is still speculation as to the outcome. The decision will probably not be reached without some political considerations, judging from the personnel of those who have been called in to advise him on these matters. In view of the fact that he stood so staunchly for controls, and that any deviation now with respect to meat might weaken the balance of the OPA programs, leads to the belief that possibly no change will be made. Some of the packing stocks were weaker, and the egg market was strong, indicating that the public was of that mind. In any case one of the White House secretaries said that he did not anticipate any announcement on the subject before the President addressed the Nation at 9 o'clock tonight, Central Time.

There has undoubtedly been a good deal of buying and covering of feed grains recently on the possibility that meats would be decontrolled. Therefore, in today's market some caution was exercised until something more definite is forthcoming. Factors that are usually most important in determining the number of cattle to be fed during the winter feeding period point to a substantial increase in cattle as compared with a year ago. These factors are the movement of stocker and feeder cattle into the Corn Belt States, the supply and probable price of feed grains, especially corn, probable movement of feeder cattle from producing areas during the last 3 months of the year, and the actual and relative prices of feeder and fat cattle. It must be remembered, however, that the weather for maturing corn has just been about perfect, and this is true also of soybeans, so that combining is well advanced, and, today, for example, we had nearly 1,200 cars of grain and beans at Chicago, about half comprising beans. Very likely after that movement is over corn will start coming to market in heavier volume, particularly if present high premiums are still being offered, which, of course, is a great inducement to farmers. Baldwin, reporting from Decatur, says, "that a record corn crop both as to size and quality is no longer a probability but a reality, and it looks as though the feed shortage is over. Not only is the overall supply of grain for livestock and poultry feeding at a new high, but the supply of all by-product feeds will likely be larger than last year in tonnage, and considerably over a year ago on an animal unit basis." These people maintain that importation of copra is expected to offset a drop in the production of soybean and linseed meals.

With respect to oats, world production is estimated at 4,450 million bu, which is 285 million bu more than last year, and a little more than the pre-war average,(1935-39). It should be mentioned, however, that the increase of about 550 million bu in North America probably offsets the somewhat poorer production in Europe, where this year's oat crop was about 20% below normal. The world acreage is thought to be slightly above average, which is also encouraging for next year.

Primary receipts of wheat were large covering the two-day holiday and amounted to 4,130,000 bu compared with 2,110,000 bu last week, and 1,973,000 bu last year. When the visible supply of wheat was posted there was an increase of 2,203,000 bu. This makes total stocks in all positions 80 1/4 million bu, or about 57 million bu smaller than a year ago. There was likewise an increase in the oat visible of 1 1/2 million bu, but corn decreased 343,000 bu. Chicago wheat stocks decreased 432,000 bu, and total only a little over 2 million bu now.

This, and the general strength in cash wheat market, gavethe futures prices a boost, and after mid-session values rose considerably, which in turn affected both corn and oats. Corn at one time had been quite indifferent, and while there was rather persistent commission-house buying, there were apparently also hedges coming into the pit. Oat prices were very firm, particularly for the nearby deliveries.

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CHICAGO MERCANTILE EX.

Oct. 15, 1946.

Free markets are like good health --they are seldom appreciated until something goes wrong. We recall a few years ago that one of our Senators (not now living) told us on his way to Washington that he was going to vote for all the bad legislation that came up, because until we had a taste of foolish laws it would be difficult to convince people that the various artificial theories were unworkable. We have had so many restrictions and controls recently that it is rather refreshing to know that the people have finally had their fill and are demanding a return to normalcy. Following the President's address, all controls on meat and livestock are now at an end. It has been conceded that these controls are no longer workable. In making the decision, the President bowed to what must have been an overwhelming demand from the people in every part of the country. It is less likely now that the Decontrol Board will take any new action on commodities that are presently free. It is too apparent that the function of any market is to fix a price which will coordinate production and consumption. When markets are free, open, and competitive they make that automatic adjustment with a minimum of confusion. The high price which often follows a short crop curtails consumption and stimulates production. Conversely, the low price following a large crop increases consumption and curtails production. Thus the cure for high prices is high prices; the cure for low prices is low prices. In the open, competitive market a constant adjustment is made coordinating consumption to production on basis of facts and not theories.

The first repercussion following Mr. Truman's talk was a tremendous increase in prices paid for hogs and livestock. We understand that the top on cattle here in Chicago was $28.75, and the first flash was that hogs at the Yards were selling at $24, which was an increase of about 50%. However, receipts in all markets were light, and we understand that the estimates for tomorrow are very much heavier, so that undoubtedly farmers are going to take advantage of the present situation.

When grains opened we also had the sharpest advance right after the opening. January corn sold as high as $1.48 a bu, but reacted rather quickly on profit-taking, and possibly it will not take so long for the adjustment to work as some had feared. Markets very often have a way of tempering any distortions which might otherwise occur. The cash corn market yesterday for prompt shipment showed signs of easing rather materially, and there was a break of about 10¢ a bu, which is natural in view of the wide disparity between old and new crop. Were it not for this the new deliveries of corn would be selling very much higher than they are, and there must gradually be a closing up as receipts increase. It is quite likely that during the next two or three weeks there will be a great improvement in this direction, and the fact that the futures market today was relatively weak after early strength is an indication that others may feel just that way.

Primary receipts of wheat amounted to 2,318,000 bu compared with 3,610,000 bu last week and 3,602,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 228,000 bu.

Wheat went into new high ground early in the session, but best prices were not maintained. Whenever May wheat gets around the $2.00 per bu mark it brings up the question as to what wheat may be worth next spring after the government buying program may be ended. Meanwhile, spot markets are very strong; in the Northwest cash wheat was quoted 3 to 5¢ per bu higher, some buyers probably believing that decontrol of flour might be near at hand. The sharpest decline came in corn futures and the best bids to the country for 15 days shipment were $1.66 net, with buyers apparently unwilling to bid for 5 and 10 days shipment. This brought about liquidation and stop-loss selling, which in turn influenced the oat market. The greatest weakness both in corn and in oats was in the nearby futures. In fact, January corn closed the full 5¢ limit down, breaking nearly 9¢ from the early high.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Oct. 16, 1946.

Secretary Anderson, in carrying out the decontrol provisions on meat yesterday, stated that in his judgment this action was consistent with the purposes of the Act, and that it would promote the earliest practicable balance between production and demand for livestock products and facilitate a successful transition of the livestock industry to a sound peacetime basis. He also said that at the present time the number of beef cattle on farms and ranges is dangerously high, and this condition will become worse unless liberal marketings for slaughter are resumed without delay. This could not happen when there was constant agitation for the removal of price ceilings and when announcement was made that a decontrol petition would be filed at the very time that the run of grass-fat cattle should be at its height.

Whether the action of corn is directly attributable to the decontrol program in meat is difficult to say, except that in a general way it is felt that there may be less feeding with the heavier marketing of hogs and cattle during the weeks ahead. It must be noted, however, that in an ordinary year, when the movement of corn is in full swing, not only do the processors support the market and also feeders who do not raise their own grain, but also there is a heavy demand on part of elevators when they can place their hedges at a satisfactory premium over cash. This year the situation is different from point of view that instead of a carrying charge, we find the January delivery selling at a sharp premium over May. Therefore, the elevators will not be at all anxious to fill their houses, so that if we expect market support it must necessarily come mostly from the industries.

Wheat during the past few days has been subjected to fairly wide fluctuations, but mainly due to the fact that the open interest is small, margins, despite changed conditions are maintained at a high level, and there is not anywhere near the speculation that one could ordinarily expect in view of the large crop. Cash wheat is still bringing big premiums everywhere. Broomhall in trying to consider world estimates figures on about 800 million bu total for the current season, divided as follows: United Kingdom, 200 million bu, the Continent 320 million, and ex-Europe 280 million bu. The latter may seem somewhat high, and this British authority admits that these figures are necessarily subject to a wide margin of error. However, he points out that population gains are particularly impressive in Asiatic countries and may contribute an element of permanency to the demand. The government wheat purchases which have taken place from time to time have had a good deal to do with the strength of the market here at home. Whenever a government buys, and particularly one like ours, it is figured that with practically unlimited resources once they start they will carry through a program, and of the 400 million bu grain that is going into foreign trade, the bulk of it will undoubtedly comprise wheat. Purchasing of food for foreign governments will terminate when price controls end. Gradually the business will be turned back to private exporters as soon as price ceilings for such commodities are abandoned. However, this is not true with respect to wheat, and it is pointed out that because of large holdings of grain by the CCC they will probably continue to handle the business, and in the event that prices tend to soften, "Commodity" is likely to continue its purchase program as a price-support measure, and in that case the Department would want to continue to sell the grain to other nations rather than letting them purchase it in the open market. This again is recognition that their activities would probably have more effect than if the business were privately conducted.

Just to show how important the price factor is, we observe that the twelve principal mid-western markets this morning received nearly 96,000 hogs compared with only 10,340 last week and 29,321 a year ago. Prices were steady to somewhat lower. Likewise there is a rush of livestock to market, although it may take time to bring about a better adjustment insofar as price is concerned.

After an early break in corn, prices firmed considerably. A broker often identified with an export house bought heavily, and for a time this gave longs new courage. The rally in corn also spread to oats, but had little effect in wheat. It is figured, however, that decontrol of flour may be next on the agenda, although meanwhile flour business, both domestic and export, was at low ebb. The late break in eggs and in cotton was an influence on grains, causing a rather irregular close.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Oct. 17, 1946.

Some of our most prosperous eras were during a period when bad laws were repealed rather than new ones enacted. We feel if anyone has ever doubted whether the laws of supply and demand were operative that now was a good time to put the matter to a test. An observer at any of the packing plants this morning would have found tremendous lines of trucks coming in from the country, and farmers apparently are trying to benefit from the increase in prices, realizing full well that this is an opportunity to get their animals into consumptive channels. Receipts of hogs at principal western packing points amounted to 157,000 head compared with only 9,500 a week ago, and 26,800 a year ago. This is good news for the housewife, who has been wondering why there was such a scarcity of bacon and hams, and it will probably not be long now before some of this meat reaches the table; likewise, there should also be a price adjustment as time goes on. The Price Decontrol Board, which has been watching prices of dairy products ever since August 21st, when it allowed these to remain free from government pricing, has announced that recontrol would not now be consistent with the President's policy of speeding up the dropping of controls. Thus we feel that there is little likelihood that any action will be taken to recontrol wheat, particularly in view of the recent market action.

OPA seems to be gradually liquidating its field of endeavor. Late yesterday it was announced that fats and oils, and soybeans would be removed from the control list, and this morning coffee followed suit, while a few minutes later the Department of Agriculture lifted controls on the purchase and use of corn and use of corn and other feed grains by feed and food manufacturers ,livestock feeders, and wet and dry processors. Restrictions were also abandoned on the use of protein meal and soybeans, and ended the set-aside order on protein meal. All this they said was because feed grain supplies are now sufficiently large. They figure that feed supplies are the heaviest in twenty-seven years.

With all this news little attention is being given to the winter wheat crop just sown. However, the various state reports are quite optimistic. In Oklahoma, early seeded small grains are up to a good stand throughout the western two-thirds of the state, and the moisture situation is reported as being good to excellent. Prospects for early grain pastures are also excellent. The eastern third is lacking moisture, although this is the smallest territory. From Kansas we hear that seeding of wheat is nearing completion in the western two-thirds of the state and is also well advanced in the western counties. Only in the southeast is there evidence of dry soil conditions.

Primary receipts of wheat amounted to 1,881,000 bu compared with 2,213,000 bu last week, and 1,818,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 343,000.

There were periods when our market seemed to have some recuperative power, especially corn, but toward mid-session it was announced from Washington that the yellow cereal for distillers and brewers was still under restrictions, and since, therefore, no relaxation is afforded at this time for extra uses of corn in that direction, there was additional selling. The January future, which was one of the strongest in recent sessions, declined the full 5¢ limit, and some of the other futures followed suit. However, there were recoveries before the close. The oat market also became very weak, as did wheat, and apparently with few shorts there was little absorption.

The bearish feeling, however, is not confined to grains alone. Cotton broke an additional 200 points after yesterday's sharp decline. The egg market was weak, and it seems that we are running into a period now where commodities may readjust more quickly to post-war conditions. When one does not know where else to look, he turns to history. Wars have always had a profound effect on price regardless of what the reason may have been. There is never a common pattern, but just as this has been true historically, so it has been followed by price declines thereafter. In some cases the fall began even before the war ended, in other cases when the conflict was concluded, or it may have taken a number of years before the full effect was felt. Sometimes the breaks were sharp and precipitous, and at other times gradual, but in all cases the declines were finally reached.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 October 18, 1946.

The carryover feeling from yesterday was somewhat mixed. The fact that corn and oats had shown recuperative power yesterday was somewhat encouraging, and, moreover, whenever May corn sells at about the $1.30 level, it is probably not more than 3 or 4¢ from the possible loan price based on average freights from country points to Chicago. Thus it is figured that farmers may impound a fair amount of their grain by taking the loan rather than pressing it on the market. In addition to this a good deal of attention is being paid to the hog and livestock markets, and when the first prices this morning showed that hogs at Chicago were mostly steady to $1 higher, it was felt that even with the tremendous receipts at the various markets, the demand would also be pretty constant, and, of course, people are still clamoring to get meat. There was a rather bearish sentiment out at the Yards on livestock because of the sizeable hold-over fromThursday, and the early bids were anywhere from $1 to $4 lower, but yet it will probably take a week or two before the excitement calms down.

Whenever any major changetakes place, such as the sudden removal of controls from meats, it naturally takes a while before buyers' and sellers' ideas crystallize. The same is virtually true of soybeans, which were held artificially low for a long time, and many people in the industry with whom we have talked say that they have no concrete ideas as to what beans are worth, and it will probably take four or five days at least before all considerations, (such as the price of oil) in order to form the basis of clearer thinking. We understand that in Minneapolis cash flax sold at $6, and that price was bid early this morning. One buyer said he would not be surprised if during this period of excitement the price might rise to $7, and thus one can readily appreciate why grains were so erratic in today's trade. Corn, which probably has more merit than other cereals, rallied quite sharply, but whenever buying orders were not on hand, there were also periods of depression, and the same true to a lesser extent of oats. In wheat there is hardly enough trade in the pit to really form definite conclusions. One must only figure that when the price was $2 for the May delivery, it was undoubtedly too good to last, and that if next spring much of the government buying has been satisfied, we might be faced with a much larger carryover than we had last July, and then, of course, would come the question of next year's crop.

There were very satisfactory rains overnight and many dry sections of the Southwest, as well as those of the Central States, have now had relief. As a matter of fact, there are probably very few dry areas left; so at least from this point of view one can be quite optimistic.

Primary receipts of wheat amounted to 2,228,000 bu compared with 2,194,000 bu last week, and 2,085,000 bu last year. Kansas City stocks so far this week have decreased 290,000 bu. When the visible supply is posted Monday it will compare with a shrinkage a year earlier of 3,817,000 bu.

As we pointed out yesterday, after wars are over everything is reversed. With the return of the armed forces to civilian life, production of commodities increases; likewise the armed forces no longer consume huge amounts of goods, government consumption decreases, and there is an increased demand for gold on part of the countries that wish to reestablish their currencies. These are all price-depressing factors. Moreover, one cannot overlook the fact that populations have decreased. World War I reduced the European population more than 25 million. While only one-fourth of these were military deaths, less than one-fourth civilian deaths, and about one-half a deficit of births. Undoubtedly World War II has reduced thepopulation even more. For the more immediate future one has to look to the daily changes taking place in cash markets. Today, for example, the low grades of corn were quoted anywhere from 1 to 5¢ higher. The basis for oats was 1/2¢ better, and this brought in some new buying, and undoubtedly short-covering as well. The markets were quite sensitive to even small orders that came into the pits. Wheat probably showed less response than any of the other grains, for the reason that the milling business is still very dull. However, it was thought possible that the Commodity Credit Corporation would shortly re-enter the market, and this is one factor which cannot be ignored. Their buying often has more than the usual effect on markets, and we believe bound to be a sustaining influence from time to time.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Oct. 21, 1946.

There was considerable mystery surrounding the cotton market on Saturday. In view of the fact that the Governors of the New York Exchange prevented the normal opening, it naturally created more than the usual concern in other commodity markets. In fact, some of the brokers here on the Board of Trade who are careful observees were of the opinion that there might have been some selling of grain from the East, hedging cotton positions during the period of distress. This was more or less confirmed later. We had it on rather good authority this morning that apparently there had been one or more parties trading too heavily in the market, but that their lines had been taken over by others, and it was, therefore, decided to let the market progress normally. This suggested that we might have some buying here in the event that there could be a corollary amount of selling in cotton to straighten out the temporary difficulties. Moreover, it was our view before the market opened that we were due for recoveries for the reason that our futures had dropped much more precipitously than cash grain. As far as wheat is concerned, there is bound to be government buying from time to time. In fact, we thought we saw evidence of some business today, and very likely it would enlarge if prices would drop materially from present levels.

Outside of North America there are not many countries furnishing much wheat to Europe or the Orient, and during the first two months of the crop season Argentine wheat and flour shipments have averaged only about 1 million bu per week. So it is quite obvious that the demands on the United States and on Canada are going to be very heavy. The first official estimate of Australia's crop places the total yield at 160 million bu. This is somewhat larger than last year, when only 144 million bu was raised, and surely more than the failure crop of 52 million bu two years ago, but still when it is considered that domestic consumption in Australia is now heavier due to larger quantities of wheat that are being fed to animals, and that the demands from the Orient are so heavy, we doubt whether there will be much left for European consumption. Furthermore the United Kingdom, which is the largest European importer of grain, may use somewhat larger quantities this year, as the extraction rate for flour has been cut from 90 to 85%, and there may even be a further adjustment later on. At the same time millers have been instructed by the Ministry of Food to include 35% home-grown wheat and 15% American wheat in their grind. There is no immediate indication that bread rationing will be relaxed in Britain. Mr. Strachey seems very pleased with the progress thus far. He calculated that the maximum saving would be about 10% and while subsequent modifications have not effected economies of more than about 7%, he assumes that housewives accumulated several weeks of flour at the start of the program. Otherwise, the actual saving might have been close to 20%.

The primary movement of wheat was somewhat smaller, amounting to 1,622,000 bu. This compared with 4,130,000 bu for a two-day period last week and 1,776,000 bu last year. When the visible supply of wheat was posted, there was an increase of 3 1/2 million bu. This makes total supplies in all positions 83 3/4 million bu, or about 50 million bu smaller than last year. Chicago stocks decreased slightly and now total 2 million bu. There were also increases in oats, in rye, in barley and in soybeans but a small decrease for corn.

Little attention was paid to statistics today, but after the cotton market was able to rally from extreme weakness, sentiment in grains became a little more friendly and on only moderate buying wheat regained practically all of its losses which took place on Saturday; in fact, the January delivery was the first to reach the daily limit and this may have had some influence also in other grains. The fact that hog prices were $1 to $2 higher was a strengthening influence in corn but cash premiums were 2 to 5¢ lower than Saturday but yet it was felt that the declines in futures had been so rapid that further recoveries were justified. Premiums in oats were very steady. That market was fairly strong and we would say that all the way through the grain list the depressing influences of last week were quickly waived to one side. It will probably be some time yet before the farmers sell oats on a heavy scale but it is quite likely that weather permitting, we should have a gradually increased corn movement.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 Oct. 22, 1946.

Owing to the fact that the cotton market has been unduly sensitive to all kinds of news, trade is watching it rather carefully. After our market closed yesterday, cotton futures in the various markets became quite weak again, and while in our opinion this has been due mainly to a reaction from a very high level reached earlier, we shall probably know more about it after the CEA investigates all details of the various accounts that were in and out of the market between October 15th and the close of business October 18th. In the meantime, we feel very certain that they are not going to find any suggestions of manipulations or other violations, but that rather with the large open interest and heavy liquidation, erratic swings were almost bound to occur. On October 17th, the volume in New York aggregated 732,200 bales against a previous high record of 527,800 bales, but in the meantime trade has apparently quieted down considerably.

Our markets this morning were influenced by reports from Washington that more grain could be used for the manufacture of spirits and beer, and likewise that the ban on cereal manufacture has been removed, but it was rather disappointing that no action had been taken with respect to the removal of ceilings on flour. The chances are that something will be done within the next two or three days on the latter, and with this in mind wheat prices steadied after an early decline. Furthermore, it has been announced that the CCC has been more active in accumulating wheat both in the Northwest and in the Southwest. For a period their buying assumed rather insignificant figures, and from October 11th to the 18th, they bought only about 1,300,000 bu wheat, but apparently they are making up a bit for lost time, and yesterday's purchases in the Northwest were about a million bu, with most of it being sold out of Duluth, although we do not have the precise figures of how much business took place in the Southwest. We are advised this morning that while this governmental agency is not going to follow advances, they are at least in the mood to accept offers, and we heard of some business being put through on basis of $2 per bu in store at Kansas City for #1 hard wheat. This is up rather sharply from yesterday; so from all appearances they are really very much interested in buying. The cash basis on corn turned rather strong late yesterday afternoon, and this probably was the reason for a firm opening this morning, but on the other hand a good many people are now of the opinion that regardless of what may happen during the next two or three weeks, the crop is so big that it cannot all be fed and that large quantities will find their way to markets. At the present time soybeans are bringing such tremendous prices that there is very little corn moving, but this situation should change shortly. As a matter offact, in an ordinary year we do not really expect our corn accumulations in Chicago except during December and January, but this year it is very likely to come earlier, with the crop pretty well matured and very satisfactory weather during September and October. Of course we always have to contend with the box car situation, and according to some data recently prepared by one of the national agencies, there are 13,000 fewer serviceable freight cars on the roads than last year. Many factors account for this, including the five-day week, which stops the unloading of cars from Friday to Monday, but whatever the reasons may be, we still have to face the fact that it may take six months or a year yet before there is any appreciable improvement. Meanwhile, the record volume of crops accentuates a situation that might otherwise not be serious.

Primary receipts of wheat were a little bit larger, and amounted to 3,042,000 bu compared with 2,318,000 bu last week and 2,440,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 44,000 bu.

As stated previously, the weakness in wheat was shortlived, and it is generally thought possible that there may be a heavier milling business if ceilings on flour are revoked. In coarse grains, there were sharp reactions at times, but in corn there were only 90 cars in today's receipts; not many of them were for sale. The good-quality corn looked firmer, although lower grades were lower; futures closed higher. The situation with respect to oats is rather firm, and nobody can accumulate many; the industries are just buying from hand to mouth, and this probably explains the reason for the big premium of November over other months. During the session, however, one of the Northwest houses sold November against March, and it may be that we shall have some deliveries here when the time comes.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Oct. 23, 1946.

After the close of the market yesterday, cash prices ruled very firm, and the same was true again this morning, with early indications that soybeans were wanted at $3.40 per bu, which is about the highest price reached thus far. A car of No. 2 yellow corn loaded brought $1.75 in the cash market, and this is all very indicative of a good demand. While it is perfectly true that ordinarily there is a distinction between soybeans and grains, nevertheless, it cannot be denied that when soybean oils and other oils are fetching such high prices, and when high protein feeds are in such good demand, it is only natural that corn, which also contains oils as well as starches, should be influenced. We must also bear in mind that for the last two or three years, with the shortage of sugar, corn has been largely used indirectly by candy manufacturers. Thus even with the tremendous crops that we have raised during the past five or six years, consumption has also been well maintained. Part of this was due to distortions, dislocations, and the fact that our government was holding hog and animal prices high, while at the same time there were ceilings on corn; but, nevertheless, our disappearance is probably going to be heavier than normal due to the fact that fats and oils are still scarce.

According to word received from Washington this morning, practically all foods will be decontrolled within the next day or two with the possible exception of sugar and rice. It had been expected for some time that flour and bakery products would be freed from restrictions, but despite these expectations we had rather weak markets at periods today, and possibly some of the selling was influenced by the decline in securities. Grain markets have been much more sensitive lately than at other times. This is due to general nervousness in the speculative field, and while cotton has had fairly good recoveries from the recent lows, there is still concern in some quarters that we are gradually heading for a generally lower price level. Nobody can tell whether this will come next month, next spring, or next year, but it seems to be inevitable, just as higher prices were the rule rather than the exception all during the war.

Not much attention is being paid to weather and crop conditions, although the weekly government data was all more or less favorable. It seems that late corn has dried rapidly in the South where harvesting has advanced, and there has been some scattered cribbing in the main belt, although generally speaking corn is too moist to put away and keep safely. In other words, the bulk of the crop needs about ten day or two weeks of drying weather before large-scale harvesting activities can take place.

Broomhall reports from Europe that seeding of winter grains is progressing normally, that soil condition is generally favorable, and that Bulgaria has received much needed rain, which is liable to spread into Rumania. The report goes on to say that although Russian grain deliveries are disappointingly small to date, 69% of the winter grain is already in the ground for next year's crops.

Primary receipts of wheat were only 842,000 bu but we believe there was an error due to the fact that Duluth did not report properly. This compared with 1,351,000 bu last week and 408,000 bu last year. Kansas City receipts so far this week show a decrease of 130,000 bu. Minneapolis increased 5,000 bu.

Our markets today were intermittently strong and weak, this being particularly true of the major cereal even after it was officially announced that all food restrictions had been revoked except those on rice and sugar. Wheat made a poor response and, as a matter of fact, the close was only fractionally higher. Prices at Minneapolis were strong. It seems that one of the leading mills bought hedges in that market. Also spot wheat was higher Northwest, but apparently this all had very little influence on Chicago except possibly for January wheat which showed a comparatively better undertone than other months.

Strong cash premiums for corn and oats gave the market firmness from time to time, but futures were also subjected to pressure by profit taking sales. Late in the session, it was announced that processors were pulling out of the market on beans. Previously, they had soared to $3.48 per bu which is probably a record for all time.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 October 24, 1946

Some weeks ago, at the Conference of the Food and Agriculture Organization at Copenhagen, Mr. LaGuardia, head of UNRRA, made a rather scathing speech, condemning the exchanges, wanting to do away with them, also grain merchants and brokers, whom he accused of "gypping" the farmer and of failing to deal with scarcity in the midst of plenty. Broomhall, after studying the complete speech carefully, commented, and we quote him in part:

"Obviously he knows little about the trade, how it works, what it does and what it is striving for. The verdict of all responsible economists is that, over the past century, the grain trade has done magnificent work in relating prices to world supply and demand, in anticipating gluts and scarcities and in cushioning their impact on producer and consumer, in distributing supplies to every corner of the globe where and when they are wanted, and in reducing distributive costs to lower levels than ever before. Acknowledgment has been given to the work of the trade in raising living standards despite every conceiveable form of obstacle which has been placed in its way and in the way of world trade generally.

"Happily, there are men associated with the Food and Agriculture Organization who have a greater knowledge of the problem and a greater sense of responsibility than Mr. LaGuardia. We remain convinced that the grain trade has still a part to play in achieving an economic distribution of the world's crops. If it is called upon to adapt its machinery to the wider needs of today, it can do so and co-operate with governments in the great tasks which lie ahead."

When we observe how wonderfully the laws of supply and demand operate, we become rather intolerant with some of the theorists, who fail to appreciate that the only fair price is the equilibrium price, which coordinates production and consumption. This is the price which moves the whole crop into consumption without a shortage and without a burdensome carryover. Even with the tremendous demand for soybeans, such as we have experienced in the last few days, after buyers and processors get filled up they often step out of the market, and thus price recessions occur until a new level is reached which becomes more attractive. Consequently, supply and demand are continually operating in a free market, and the housewife for the first time in months is able to buy meat again even though prices are very high. The same is true of butter, which was a scarce article when the price was held artificially low, but now that prices have advanced, consumption has also been reduced to a more moderate level. This is something which cannot happen during periods of fixed prices or when subsidies are paid, as the consumer is not conscious of the actual merit of said commodity.

When our market opened this morning, it was little influenced by overnight developments. Some had thought that with the flour ceilings revoked and higher prices paid by bakers, there would be a bigger business. Markets, however, have a way of discounting events in advance. We found very little effort to remove hedges, and even though cash prices, both Northwest and Southwest, are relatively high and above the price of futures, a good many people have in mind that we may be headed for lower commodity levels within the next year or so. This restrains to some extent bullish enthusiasm.

Primary receipts of wheat amounted to 1,635,000 bu compared with 1,881,000 bu last week and 1,819,000 bu last year. Kansas City stocks so far this week show a decrease of 228,000 bu. Wheat prices were barely sready at the opening and some disappointment was expressed that the overnight flour business had not been larger in view of the fact that ceilings had been revoked. Due to the very high margins presently being asked, we find that there is not the volume of business passing that one could ordinarily expect and even the spreading between here and Minneapolis and Kansas City is much smaller, with the result that the various markets are getting more out of line than ordinarily. For example, yesterday, Minneapolis futures gained 3¢ on us with probably only a small business passing.

Corn premiums were about 2 to 5¢ lower. This brought a little liquidation into the market but nothing very serious. In oats, only about 15 cars were received here. Cash market remains pretty firm. Most of the strength centers in the November futures but the deferred months were indifferent, and in some cases a shade lower.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 October 25, 1946.

In considering our export goal this season of about 400 million bu all grain, the question often arises as to whether we are doing our full share in trying to help Europe recoup from the devastation of the last war. First of all, we must realize that in considering the total production of wheat, corn, oats, barley, and rye, we have raised this year, 6,346 million bu of these combined grains, which is not only an all-time record for the United States, but for any country in the world. Broomhall throws some rather interesting light on the subject in asking the question, Whether we are justified in retaining about 6,000 million bu for our own use? He makes some comparisons with post-war years of the former conflict, and in analyzing the combined crops from 1919 to 1925 he finds that on an average we raised only 5,043 million bu, exported on an average 406 million bu, and retained for home consumption or carryover 4,637 million bu. On the face of it, it would appear as though we are falling down in our duties to humanity, but he also points out we must consider not only the average data for that period, but also should account for the increased population. Since 1920 this has risen by over 29 million persons to a present total about 139.2 million. On that basis our consumption of all grains must have been increased by about 1,300 million bu annually, which is just about the amount that our production has increased. Our annual export totals are almost identical at 406 and 400 million bu respectively. This we believe is rather interesting and illuminating that it should work out in such even proportions.

Before our market opened this morning, there were several considerations. First of all, cash wheat in the various markets is still very firmly held. This undoubtedly explains the reason for the premium of the nearby months as compared with the deferred. For example, in Kansas City, #1 hard wheat is selling at 8¢ over their December, and even at that price is not easily obtainable. Some believe that the car situation has a good deal to do with it, and that the millers are even paying these high prices in order to unload wheat, and thus get an empty car to ship flour.

Taking a longer view, however, it seems possible that we are headed for lower commodity levels following wartime peaks. Businessmen generally are becoming more concerned with inventories. We notice that in the stock market yesterday securities comprising stores and mail order companies were weak. While it is generally felt that Christmas buying will be on a tremendous scale, it must also be considered that consumers are becoming a little more discriminating, and when merchandise is restocked now at present high levels, it may not have the same value six months hence. Those who are of that mind and are pressing the short side of May wheat at the big discounts are, of course, giving a good deal away for the privilege of being short, but yet they claim that the price is so high that it may appear much more attractive next spring when the earlier futures are no longer on the blackboard.

Primary receipts of wheat amounted to 2,660,000 bu compared with 2,228,000 bu last week and 1,854,000 bu last year. Kansas City stocks so far this week show a decrease of 292,000 bu. When the visible supply is posted on Monday, it will compare with a shrinkage last year of 3,370,000 bu.

Trade in all grains was rather moderate. Some of the selling by leading commission houses may have been in sympathy with weakness in cotton. Despite recent declines, the limit was att ained again on the downside and this attracted some attention. Corn was probably the weakest of all grains and showed little recuperative power. Of course, the January delivery is still commanding a pretty big premium over deferred months. Generally, when large crops are raised, we have the reverse situation so that when there are carrying charges elevators are also anxious to take the first arrivals, put the corn away, and hedge their grain. As matters now stand, it will be mostly the processors who will be willing to pay the high price based on the January delivery. There was some selling of oats from time to time but the November delivery recovered pretty well although all futures finally closed lower.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Oct. 28, 1946.

With the recent issuance of interior mill and elevator stocks, as well as those of the merchant mills, we are now able to piece together all data necessary to arrive at figures showing the wheat disappearance for the first quarter of the current crop-year. First of all, it will be necessary to go back a little further to ascertain stocks that were on hand July 1st. Our crop and carryover of wheat amounted to 1,270 million bu. This compared with 1,404 million bu the previous year, or a reduction of 134 million bu. While it is true that we harvested the largest crop in the history of the country, the reserve stock was very small, and our total supply was less than for the last several years. With the figures now available showing the quantity of wheat on farms, as well as the stocks at terminals, also those held by merchant mills, interior mills and elevators, and the wheat held by CCC, the total is 957 million bu vs. 1,030 million bu last year. This shows that present stocks are 73 million bu smaller than last year, whereas at the beginning of the season they were 134 million bu smaller. When we also take into account that we have exported 30 million bu more this season than last, there can be only one conclusion: namely, that our domestic disappearance has been 91 million less than a year ago. This we believe is mostly due to the lessened feeding demand for wheat, and it may also tend to remain smaller now that we are assured of a tremendous corn crop. Thus we are of the opinion that the government figure of 150 million bu wheat for feeding may not be so far out of line. Previously we had been inclined to question it, but it now looks to be at least a possibility. If this is the case then we shall probably carry over about 250 million bu wheat next July, and after that much will depend upon the outcome of the next crop.

At the present time conditions are very favorable. We had a letter this morning from Amarillo stating that winter wheat was excellent in all directions, that the plant was up to an excellent stand, and much of it was being pastured. The recent moisture, however, has also been favorable for the sorghum crop. While thirty days ago it did not look as though the crop would mature due to lateness, these heavy rains, which in some cases were from 4 to 8 inches, were extremely welcome, particularly as the weather after that turned warm. Thermometer readings were running in the 80's during the past two weeks and the milo crop has come through, with yields reported to be heavy. For example, Dalhart, Texas dealers say that the one town alone will probably ship 400 cars of milo. Others have almost the same story, handicapped only by the inability to get cars. As far as farmers are concerned, they are selling the milo and kaffir freely, and many yields on the North Plains are running 50 to 60 bu to the acre, with a few fields actually claiming 90 bu.

When our market opened, it was influenced by the possibility that corn premiums would decline further, and as a matter of fact this actually did happen, as the next two weeks should witness very heavy receipts, although here, also, the car shortage will be a factor. The weakness in cotton also discouraged much bullish enthusiasm, but there were other factors somewhat constructive: namely, the early strength in oats, which we believe is due to light receipts and a rather steady demand. Wheat also was firm in the early dealings, and recent purchases by the CCC have been a sustaining influence, to say the least.

Primary receipts of wheat were 1,670,000 bu, or practically the same as last week, and a little smaller than last year. When the visible supply of wheat was posted, there was a decrease of 646,000 bu, and total stocks are 83 million bu, or about 43 1/4 million smaller than a year ago. We note, however, that there was a big decrease in Chicago, amounting to 679,000 bu. This leaves only 1,377,000 bu here, and is very little in view of the fact that neither Kansas City nor Minneapolis are anywhere near a shipping difference under us. This would suggest that there might be opportunities in spreads of that character.

Wheat prices were very firm, and we believe that there was further business to the CCC involving the purchase of futures as a hedge. Corn futures were rather weak early but finally responded some to the strength in wheat and in oats. However, the next two weeks should witness a large movement to terminals, and cash prices were very weak in all markets. The oats visible declined sharply, and present stocks are 27 million bu smaller than last year. Receipts are insufficient even for industrial use.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 October 29, 1946

There was no particular grain news overnight, but everyone was watching the action of the cotton market, which certainly has been extremely erratic. Before our opening this morning that market had declined the full limit again, which is certainly unusual in view of the statistics surrounding that commodity. Experience has often shown us that when any speculative commodity goes too far in one direction, the pendulum often swings just as far the other way before an even balance is struck. Of course, with the many margin calls which have undoubtedly gone out to the country, and with a lessened demand for the actual product, there seems to be less bullishness now than there was a few weeks ago. This all had moderate effect on grains this morning, but probably less than ordinarily for the reason that there is no pressure from the actual movement of grain. As for wheat, the Commodity Credit Corporation has purchased about 5 1/4 million bu during the past week. This has taken the slack out of the market; in fact, has even given us some strength especially in a market that is so very thin. As for oats, the daily receipts are inadequate even for a small demand, and about the only grain that is really moving in any volume is corn, but the quality is not too satisfactory, as the weather recently has been warm and wet, and what we need now is a good heavy frost to properly mature the plant.

The government issued a statement yesterday showing stocks of grains in all positions on and off farms on October 1, 1946, with comparisons with other years. These we believe are sufficiently important to recite here, although space does not permit giving anything but the totals:

(Thousand Bushels)

	10/1/44	10/1/45	7/1/46	10/1/46
WHEAT	1,088;321	1,030;383	101;191	956;521
OLD CORN.....	234;946	325,029	550;491	178;288
OATS.....	1,001;742	1,390;310	294;842	1,237;117
BARLEY.....	263,743	249;109	58;570	230;684
RYE.....	35,720	22,287	2,387	14,801

In order to figure out what the disappearance of all grains was in the quarter beginning July and ending September, we have reduced the bushels of grain to pounds so that the comparison would depict the picture clearly, and this is also tabulated below in millions of pounds

	1946	1945	1944	1943
WHEAT.....	18;840	22,440	18,060	20;880
CORN.....	20;832	25;144	20;216	25;256
OATS.....	18;720	12;608	11;552	13;056
BARLEY.....	3,984	5,328	4;368	5;568
RYE.....	504	952	1;176	1;288
TOTAL.....	62,880	66,472	55,372	66,048

From the above it will be seen that the 1946 disappearance of all grains combined was quite a bit less than last year, and smaller than 1943, but considerably more than the corresponding quarter of 1944.

Primary receipts of wheat amounted to 2,588,000 bu compared with 3,042,000 bu last week, and 2,669,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 107,000.

There was really nothing to account for the great weakness we had today, except possibly with certain traders in the East locked in their cotton positions, they found it advisable to hedge themselves in grain. While we have no definite knowledge on that subject, it was currently reported that such business might be taking place.

During the day corn futures became very weak; in fact, the May delivery went into new low ground for the season. However, there were some rallies, and cash corn was not being pressed, nor was it particularly weak today. Quotations were nominally 10¢ per bu over January for spot loading. There must have been a fair amount of wheat futures bought here, according to observers in the pit, and this was very likely against sales to the government. We now have the cumulative total during the period September 9th to noon of October 25th, inclusive, which is 26,084,000 bu. According to the Regional Office where the purchases were made, it shows that Chicago purchased 6,840,700 bu, Kansas City 7,626,920 bu, Minneapolis 7,133,684 bu, and Portland 4,483,015 bu. It is difficult to tell how much more is involved, but some people are of the opinion that the government will probably be interested in an additional 100 million bu before the season ends.

November oats did not show the strength which they displayed heretofore; whenever weakness occurred it was very largely in sympathy with the sharp decline in corn. However, one house identified with Eastern connections was a very heavy seller of March oats.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 October 30, 1946.

Before the grain market opened this morning, word came from New York that cotton trading would be suspended, and the other cotton markets immediately followed suit. It was considered likely that with such uncertainty it would probably have a bearish influence on grain, but on the other hand there were other factors that were more or less constructive. At the moment it should be pointed out that there is not any great pressure from the country; in fact, it is the reverse in wheat, with the initiative being takenby the government to make purchases for European famine relief. Almost every day we see evidence of hedges being taken out of the pit, and the same is undoubtedly true in other markets, also. Therefore, while this program lasts, we can hardly imagine that any sizeable declines will take place.

There was another factor overnight which the trade had to consider: namely, the issuance of October 15th parity prices, with increases all along the line. This now makes the wheat parity $1.83 per bu, a 6¢ advance over last month and compares with $1.55 last year. Corn parity is $1.33, an increase of 5¢ during the month, and compares with $1.12 per bu last year. The parity on oats is .826, an advance of about 3¢ since September, and compares with .698 last year. The most important of the three from a commercial point of view is the one given for corn, because the loan will be based on the October 1st parity. Since the government does not ordinarily give the parity price for the beginning of any given month, we do not know whether there will be a special computation made, or whether they will simply try to strike an average between September 15th and October 15th levels. Assuming that they want to make it favorable to the farmer and take the last price: namely, $1.33, then it would follow that the loan on the farm computed at 90% would be nearly $1.20 per bu. Adding freight to Chicago would make the price practically $1.30 per bu, which is not far from existing corn futures prices. It has generally been our experience that the loan, while sometimes pierced was rather effective in preventing any sharp declines, particularly in recent years, since so many cooperating farmers preferred to impound their grain rather than to sell it at lower levels. There also seems to be some talk that export business in corn might develop, and this was a sustaining influence after an early break.

The hog market, which was $1.00 to $1.50 higher yesterday, lost about half its gain. Still with the average price $23.50, feeding operations continue on a satisfactory basis. It appears as though colder weather were in prospect, which is fortunate, because, according to the government weekly report, corn is mostly too wet to crib in the main belt. In Iowa 6% of the acreage picked but the majority of farmers are awaiting colder weather before putting their corn away. In other words, a general killing frost would promote more rapid drying.

Primary receipts of wheat were rather light, and amounted to 862,000 bu; this compared with 842,000 bu last week, and 1,417,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 238,000 bu.

During a good part of the session prices were rather firm, and we saw further evidence of business for the Commodity Credit Corporation. At times there was weakness, particularly when the stock market suffered severe declines, but late in the session corn reacted and became very strong, and this led to a generally better closing than one could have expected considering the nervousness in the East over the closing of the cotton market for the second time. We do not hear of anything definite being considered, although a good deal of conversation about trying to prevent any panic selling in view of the comparatively strong statis tical position. We feel that all precautionary measures taken at this time are certainly in the public interest. While there is still a good deal of nervousness in both commodities and securities we feel that grains will encounter support on setbacks at least for the time being.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 October 31, 1946.

There was general comment that the grain markets had behaved very well yesterday, even when securities and cotton had been so weak, and it was generally figured before our market opened this morning that the cotton exchange governors were satisfied that they had matters well in hand, following the many conferences which had taken place while that market had been closed. During the same period, the Department of Agriculture also called attention to the favorable statistical position of cotton, and likewise reminded producers that they could avail themselves of 92 1/2% parity loans to assist the orderly marketing of their cotton crop. They mention the fact that on August 1, 1946, there was a carryover of 7 1/2 million bales as compared with 11,200,000 bales a year earlier, with a record carryover of 13 million bales in 1939. It was also stated that CCC had already disposed of all the very large stocks of cotton which it had previously accumulated, and that it does not now have any stocks on hand which are not committed for export. Representatives of the Department estimate that the carryover of cotton next August would be less than 4 million bales, the smallest in seventeen years. At present prices, and with a continuation of the export program, the exports of American cotton were expected to increase materially. This in turn would still further decrease the carryover.

In view of this statement and the ironing out of other problems, the cotton market opened very much stronger, and while there were some recessions from time to time, it seems that the period of liquidation and depression soon came to an end, and so it was a foregone conclusion that this in turn would probably influence grains and securities. There was not a great deal outside of this to influence our markets today, except to repeat something that we have stated on so many occasions: the continuous buying of wheat by CCC. We understand that yesterday's purchases at Kansas City amounted to 3,810,000 bu, a good part of this may be for deferred delivery. Very likely it is because of the fact that cars are extremely scarce, and we understand that they are almost impossible to obtain even in large markets. This may account also for the fact that some of the mills are paying such big premiums for an occasional car of wheat, probably anxious to have it unloaded so that they can re-load it with flour. In any case, all those who make sales to the government are not standing on their position without some protection, and we assume that there have been futures bought at Kansas City and at Minneapolis, as well as here. In fact, those markets have often been stronger than Chicago because the parties wanted the hedges closer to home in case they had to take delivery to fulfill their commitments.

There was another item of interest with the ODT announcing effective immediately the cancellation of ICC Service Order, which had required permits for the movement of grain in and out of the Northwest terminal markets. This originally was done to encourage the movement of wheat to Duluth for the exports of grain, but as it was stated, the quantities were so insignificant that the government did not feel justified in continuing the order. Possibly this will bring in a little more oats from the Northwest, and later on wheat, but we also assume that with the CCC so anxious to get loadings for the Eastern seaboard and for Galveston, every available car will be used in expediting their program.

Primary receipts of wheat amounted to 1,649,000 bu compared with 1,635,000 bu last week, and 1,809,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 507,000 bu.

While our markets were mainly firm, there were periods of hesitancy, especially in oats and at one time values receded to below the previous closing level. Whether we shall get any oats here from the Northwest in time for delivery remains to be seen, but at least this is a threat, particularly with the attractive premium of November over more deferred months.

Corn kept reasonably strong, with reactions from time to time. While the demand seems to be fairly good, we must also bear in mind that we are on the eve of a movement, but the receipts will, of course, depend on the availability of cars. The cash basis was about unchanged.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 November 1, 1946.

According to Washington information, the OPA has passed the halfway mark in decontrolling the national economy. At the peak of controls during the war 80% of the economy was under price ceilings, but the figure has now dropped to about 40%, with much of the decrease registered during the past three weeks. In our market letter of June 26th we made the following statement: "While frantic efforts are being made to preserve OPA in some form, it should be generally understood that its fate was decided many months ago. The greatest single contribution to the wrecking of OPA was when the holes were driven in price ceilings by government-promoted wage increases." We also stated at about that time that it would probably be almost impossible to resurrect even a temporary measure that would effect a reasonable transition from price control to our free enterprise system. As the Department of Agriculture now points out a heavy movement of cattle and hogs followed the removal of price control on meat and meat animals on October 15th. Prices of meat animals rose to extremely high peaks, but as the number of animals increased prices declined irregularly. On October 21st, prices of cattle, hogs, and lambs were under the peak price reached during the preceding week but were still greatly above the former ceiling levels. In any case there are fewer complaints now. Meat seems to be reasonably easy to purchase, and production in 1946 as a whole should probably be in the neighborhood of 22 billion pounds, while looking a year ahead the production should be equally as good for 1947, and in all probability may be larger. There are some indications that over-all consumer demand may weaken in 1947. Should this develop prices of meat animals probably would be lower in the marketing year beginning October 1947 than during the current season.

There was very little to influence our market except that cotton quotations were sharply higher, and since this has been a factor, together with the strength in securities yesterday, many people were of the opinion that grains would probably have another advance. The corn belt weather has been wet, and while this often occurs in the fall of the year, it did interfere with the movement, although clearing conditions are expected by tomorrow. We also have the same factors prevailing in wheat: namely, government purchases, and while it is difficult to arrive at daily figures, we are convinced that in the aggregate the totals are large. The only question is, whether with a shortage of cars, the CCC will be able to fulfill all of its export commitments. As near as we can tell exports of wheat and flour during the first seventeen weeks of the season have amounted to 107.5 million bu. Today, for example, it is almost impossible to get even eight or ten cars in a big market like Kansas City. Therefore, a good deal of the grain is still being held at interior points, and as we have seen recently from the reserve stocks on farms, there is still a good deal left in the country.

Late yesterday the Department of Agriculture announced final national acreage goals for rye, winter cover crop seeds, and various other items. The national goal for rye acreage to be harvested for grain in 1947 is 134% of the indicated 1946 harvested acreage. The government considers this necessary to meet requirements for human food and livestock feeding. The final national goals are essentially the same as those suggested by the Department of Agriculture in August.

Primary receipts of wheat were slightly over 2 million bu compared with 2,660,000 bu last week, and 1,711,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 646,000 bu. When the visible supply is posted Monday it will compare with quite a large decrease last year, which was 4,339,000 bu.

Markets were generally firm, and while there may have been a little hesitancy at times the undertone was strong. Spot corn was unchanged, but cash oats are very firm, and this apparently accounts for the 6¢ premium of the November oats over December. We did not hear of any deliveries in oats, and note that the open interest is still about 4 3/4 million bu. Trade in wheat was quiet, but there is no pressure probably for the reason that the government buying is quite conspicuous in view of the fact that the total trade in the pit is rather light. They started trading in July wheat today, which represents the new crop, and it is selling at about 8¢ under the May.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 Nov. 4, 1946.

According to an announcement made a few days ago, the Department of Agriculture has ceased making contracts for the purchase of foods for the cash-paying foreign governments, but in this regulation wheat has been excepted. This is to become effective December 31, 1946. After that time the effect of the action will be to return the procurement of most foods, with wheat being the principal exception to regular commercial channels. Apparently from the remarks of Mr. Farrington, the Assistant Administrator of PMA, the wheat and flour program is going to be stretched just as far as possible. He stated that the demand upon the United States would be all that this Nation could spare, and he indicated that if new crop prospects are favorable in spring we may ship even larger quantities than are now forecast.

This very likely was responsible for the somewhat higher wheat prices this morning, although for several sessions there has been a rather bullish sentiment devoloping, for the reason that the CCC is taking about everything that is offered in the various markets. Their purchases since September 9th have amounted to about 32 1/4 million bu, which is quite sizeable. A good part of this wheat, however, was bought for deferred delivery and is still to be shipped. This is going to cause considerable difficulty to all parties concerned because of the great shortage of cars. According to one authority, the deliveries of new freight cars are running at the rate of about 5,000 a month, and while this seems large, those that are being discarded because of obsolescence or complete disusage account for about 7,000 cars monthly. Thus it is figured that the strain will be apparent for at least another year.

Weather over the weekend was quite wet in many districts. There had been considerable moisture over parts of the Southwest, and this extended to the western portions of Kansas, eastern Colorado, while rains were likewise reported in Oklahoma and parts of the Texas Panhandle. In the corn belt lower temperatures are in prospects; in fact, some freezes are likely, and this is all desired in order to improve harvesting conditions of corn. For the next three or four weeks, we should have considerable pressure here, and, therefore, it may be too early to take a bullish view of the market, although the feeding ratios are becoming more attractive now, although it is not expected that present high prices of meats will hold at these lvels by next spring. World food production in 1946-47 is expected to be 7% larger than the previous year's low output, and may slightly exceed prewar average, although it is expected that careful utilization of export food supplies will be necessary to avert another acute shortage next spring, according to the Department of Agriculture.

Little has been heard lately about crop developments in the Southern Hemisphere, but some deterioration seems to be taking place. Wheat-cutting started in the northern part of Argentina, but first results are very bad owing to rust and an early frost. Today, we learned fromBroomhall that the Australian wheat crop is nearing maturity, with a less favorable outlook, and exports during 1947 will probably be little, if any, larger than during the current season. Semi-official estimates of the Commonwealth reduce the crop to about 130 million bu, while previously it was thought that yields of 150 to 160 million bu were likely. Last year's harvest amounted to 144 million bu, and the pre-war average was approximately 154 million bu.

The visible supply of wheat decreased 2 3/4 million bu, total stocks in all positions are 80,385,000 bu, or 45 3/4 million bu less than a year ago. There was a slight increase at Chicago, but still local stocks are less than 1 1/2 million bu. The U. S. corn visible increased 1,616,000 bu, but there was a decrease of 766,000 bu in oats. Total oat stocks are 27 million bu smaller than a year ago.

Markets had a rather firm undertone, and following the leadership of wheat there were times when the feed grains tried to do better. However, it seems to be a little too early to start a bull movement in corn, with the movement just ahead, and every time January corn got above $1.35 per bu there seemed to be some pressure to sell. We saw little evidence of any wheat buying in the pit which might have been against business to the CCC, but yet it is general knowledge that the government is trying to buy both wheat and flour at all times.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 November 6, 1946.

The election results were even more sweeping than had been expected by many ardent Republicans. Many people are trying to figure whether this changed trend demonstrates any important changes for agriculture, but, of course, it is too early at this time to make any such statement definitely. We appreciate, of course, that even before this election there was a good deal of thought given to altering the parity concept in agriculture, for the reason that there have been many developments since the base period (1909-14), such as better fertilizers, improved farming technique, hybrid seed for corn, quality oats, and various other improvements that have given us higher yields per acre, which is not reflected in the parity formula. Furthermore, when a farmer could buy land in Missouri, plant soybeans, and practically pay for the farm the first year, this was almost too good to last. Whether the new Congress will change the guarantee to enable farmers to take a 90% of parity loan for two years following the declaration of peace is also uncertain. Should the President delay for any considerable period in saying that war is at an end, it might be 1949 before we have an end to this support program. We have a feeling, however, that parity would only be acceptable to farmers when the general price level is high. Take for example, during the depressed agricultural era, which occurred in 1932, wheat parity prices dropped to 98¢ per bu, while at the present time there has been a rise to $1.83 per bu. Thus, if we ever came into a period of declining values, the farmers themselves would very likely complain bitterly for more recognition. Since agriculture is so basic, we can hardly believe that politicians, regardless of party, will permit precipitous declines if there is any chance of avoiding it. They realize that in earlier cycles declining farm prices meant declining agricultural income, which in turn caused declining sales by manufacturers to the farmers. If the Department of Agriculture is correct in its forecast, we shall only have a decline next year of approximately 10 to 15% in gross farm income, which would still leave very satisfactory rates to producers, amounting to 2 1/2 times pre-war levels.

When our market opened this morning, prices were slightly lower. Cotton, which preceded us with weaker prices, was an influence, and the fact that early strength in stocks met with selling also discouraged much new buying. Those who waivered in their bullish enthusiasm for grain spoke of the possibility that even present support levels might be relaxed, although as we have stated there is nothing to indicate any immediate change in that direction. For the next few weeks we are convinced that there will be a great deal of speculation as to what the new Republican Congress will have in mind with respect to agriculture. Since 1933 southern Democrats have held the Chairmanship of both House and Senate Agricultural Committees, where the farm programs of this period have largely been written.

As the session progressed there must have been some concern in the South that cotton might not receive the same consideration as in the past, and that commodity slumped 200 points, which was the permissible limit for one day's trading. This in turn had some effect on the stock market, and also on grains, with the result that there was further impetus on the selling side of corn and oats, which continued right to the last. Little was heard about government buying of wheat today, although it is possible that some hedges were taken out against business of that character.

Primary wheat receipts over the holiday amounted to 3,140,000 bu compared with 862,000 bu last week, and 1,237,000 bu last year. Kansas City stocks so far this week have decreased 19,000 bu.

Weather seems to be entirely satisfactory, particularly for the start of the winter wheat crop. They had additional moisture in Oklahoma, the Texas Panhandle, and other parts of the Southwest. In the corn belt numerous frosts were reported, and colder weather should be ideal for maturing the corn crop. We understand that only about 7% has been harvested in Iowa, and much of the early run has been too moist for keeping quality. One of the leading industries was bidding $1.40 for a time basis #2 yellow corn for 10-day shipment, and $1.38 for last half of November. At that time the January delivery was selling at $1.34 per bu. Wheat futures closed down the limit.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 November 7, 1946.

The unmistakable verdict of the voters in the recent election places great opportunities before the Party which is now given control of national legislation and appropriations for at least the next 2 years. It would be unwise, however, not to point out that these legislators might fail essentially in their political duty unless they were likewise fully mindful of their responsibilities and problems. When Mr.Roosevelt first came into office, he advocated a bill, the title of which was to preserve the credit of the United States Government. That was in the first six months of his term when the debt was about 20 billion. Very little is said now about the solvency and the credit of the United States government, but we believe it is well to remember a statement made by Senator Byrd of Virginia, when in 1944 he said: "Yet within a space of the New Deal administration, going on eleven years, we have burdened this country by an indebtedness which is equivalent to the accumulation of the wealth of all the Americans that have gone before us." It is apparently the aim of those in power to cut taxes, but likewise to cut expenditures. Unless the latter is done we cannot hope to meet our budget, or to pay off any of the indebtedness that has been incurred through this war period. On the theory that we are headed for a period of less inflation, there has been some selling of commodities and securities, although grains were a little steadier today after a rather weak opening in wheat, which carried prices down several cents per bu.

Those who are inclined to be a little bearish on grains, and who feel that wheat is too high at the $2 level also have in mind that world production, excluding China and the USSR, is now estimated at about 4.2 billion bu. This would be the largest crop since 1940, and about 4% above the 1935-39 pre-war average. It would also be about 18% above the small 1945 production. Compared with last year present prospects point to substantial increases in all areas, reflecting larger acreages as well as more favorable weather conditions in most countries. Of course, one must also reason that population is gradually increasing, and that for the next two years demand from Europe will probably be maintained at high levels; yet Europe's total is one-third larger than last year's small crop, but still 16% below the pre-war level. As the BAE points out, in the season ahead demand for wheat and flour imports by deficit countries will be somewhat smaller than a year ago because of the increased domestic production. Even so total requirements are greatly in excess of world exportable supplies of about 700 million bu. Here, again, it should be remembered that stated requirements are partly dependent upon price and foreign exchange in the many foreign countries. If we export our goal of 267 million bu, which includes 17 million bu old-crop wheat, the Department of Agriculture now figures that it will leave us with a carryover reserve next July of about 235 million bu, which was average for the period, 1932-41.

Primary receipts of wheat amounted to 1,743,000 bu compared with 1,649,000 bu last week and 1,591,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 409,000 bu. At times, markets displayed strength and we find that cash markets are still strongly held probably for the reason that the box-car situation is very acute. The CCC needs 700 cars in the next two weeks for movement of wheat to St. Louis for barge shipment to the gulf. This means that industries in the meantime will have to suffer at least to some extent.

When stocks and cotton rallied our market here showed a little better undertone but November oats became rather weak and the cash basis was lower. Corn, however, remained firm and we have to face the fact that the quantity of corn that will be placed under the loan will be determined largely by the relationship of corn prices to government loan rates. During the past several years little corn was placed under the loan because market prices were more satisfactory but the government estimates that this year larger quantities will probably be impounded than in any of the past four years and may exceed that of any year since 1939-40.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 November 8, 1946

First of all we owe an apology to the trade for having underestimated the domestic consumption of wheat for the first quarter of this season. When the official figures were given a few weeks ago, showing the amount of grain held by large mills and by interior mills, we had no official reports on exports, and, therefore, had to use statistics from private sources which we regarded as quite authentic. However, that party was also misled because when the Department of Commerce does give the exports, which are often several months late, they do not include the amount of wheat and flour which goes to our armed forces. In other words, these figures are completely inaccurate so that if one would add them up at the end of the year, he would find that it does not depict the true picture of the total amount of grain that leaves our shores. They finally make a correction, but, of course, it is too late then for some statistical purposes, as in this instance. We have taken the matter up with the Department of Commerce, pleading with them to issue weekly and monthly figures as they used to prior to the war, and which could be accepted at their face value, but, unfortunately, there has been no relief yet. In any case on basis of all the facts now on hand, it appears that the home disappearance of wheat from July to October 1st, or in other words for the first quarter year, was 42 million bu smaller than a year ago, and not 90 million bu less as we had claimed.

Wheat disappearance in the United States for the year is now expected to total about 770 million bu. We can remember the time not too long ago when 550 million bu was considered adequate. Of course, population since then has increased; the quantity of wheat needed for food alone is expected to total 510 million bu, on basis of the restored extraction which started September 1st. Feed use is now estimated at 180 million bu, which is somewhat larger than the preliminary figure, and compares with 117 million bu pre-war. Seed is still maintained at 82 million bu. The use of wheat for spirits and beer continues prohibited. On basis of indicated supply, and assuming exports of 267 million bu, which was our goal, including about 17 million bu from the last crop, it is now figured that we shall have a carryover reserve next July of 235 million bu, which was the same as the pre-war average (1932-41). However, the government points out that the extremely large needs continue in deficit countries and that exports could finally exceed 267 million bu, which would naturally lessen the carryover. The feeding of wheat is expected to take 100 million bu in the last nine months of the season compared with 80 million bu used in the first quarter. However, now that corn is more plentiful, this seems to be a reasonable deduction. The world corn crop this season is forecast at 5.5 billion bu, the largest crop on record, according to the Office of Foreign Agricultural Relations. As tentatively estimated, the crop would be about 8% above the 1945 crop, and 15% larger than the 1935-39 average. Of course, this is a wonderful showing, but the greatest increase is attributed to the record crop in our own country. A below-average crop is expected in South America as a result of smaller acreages.

Primary receipts of wheat today totaled 1,274,000 bu compared with 2,039,000 last week and 1,794,000 bu on the comparable day last year. Supplies at Minneapolis and Kansas City show a net decrease so far this week of 707,000 bu, and when the visible is posted on next Tuesday, it will be compared with a decrease last year of 5,814,000 bu.

At the opening of our market, prices were firm but later reacted with the weakness in corn and oats. It seems as though most of the industry was not actively in the market today, and many believe that the receipts next Tuesday, following the Armistice holiday, will be rather large. While both March and May corn futures are selling close to the probable loan value, and even though the corn-hog feeding ratio is extremely favorable, supplies are pressing on the market. Until the flush of the movement is over believe it will be difficult to maintain prices.

Longs in November oats seem to be a little bit more on the defensive, and as this month proceeds those who take delivery face the possibility of selling same in December for about 5¢ a bu less. It is questionable whether any oats will be worked from the Northwest for delivery this month, as we understand that most of the oats that are coming here from Minneapolis are bringing about 4¢ more than a delivery basis.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 November 12, 1946

All markets were closed yesterday in celebration of Armistice Day, commemorating the end of World War I. While it had been expected that weather would be bad for corn, it seems that clearing conditions have set in, temperatures are rather low, and fair weather seems to be in prospect for the next two or three days, all of which is beneficial for corn. On the other hand, it now seems likely that the government will allocate 50 million bu for distillers use instead of 25 million bu as earlier anticipated. This may have had something to do with the slightly higher opening, but later on there was renewed liquidation on the theory that this crop is so large that even extra usage might not immediately have its effect. It is true that animal prices are still ruling very high. For example, yesterday catt le sold at $34.50, hogs at $24, and sheep at $24.60, but whether these levels will be maintained is another question. There may be farmers who are willing to sell their animals at present levels, and also, their corn, rather than to take the gamble of feeding, because they have had previous experience that it often takes five to six months before such adjustments are complete. Under these circumstances, beef supplies will be large this winter, and pork will be more plentiful than in recent months, and the total supplies of meat this winter should be about as large next year. Beef, veal, and pork production is expected to run ahead of last year, certainly for the remainder of 1946.

Mainly for the reason of giving comparable prices of our competitors, we call attention to the Argentine government's basic wheat prices to producers for the coming year. This was announced a week or so ago, and will be $1.38 per bu for #2 grade, which in that country has a test weight of 60.6 lbs. per bu. This is the delivered price in the port of Buenos Aires on lighters or cars. This price, however, does not cover the whole crop, but is to be applicable to the first 330 short tons of wheat shipped by each individual producer. After that quantity the price is reduced to about $1.22 per bu. Peculiarly enough, the decree carries no guarantee against a later change in price.

With this in mind we continue of the belief that sooner or later agricultural prices in this country will seek lower levels. We have called attention recently to the fact that because of larger population our consumption will be bigger than it was, but on the other hand, with improved seed, better use of fertilizer and farming technique understood by more producers, we are likely to have better yields when weather is propitious. It is not mere accident that the last six crops of corn have been in excess of 3 billion bu. We attribute this to hybrid seed and better cultivation. As Broomhall points out, "Essentially, the agricultural problem has always been of matching supply to demand, of farmers wanting high prices and consumers low prices. The problem, in fact, is as old as history itself; and we can draw fresh courage from the knowledge that, in the end, governments and people have always turned to the grain trade. The most acceptable and workable solution has invariably been found in the greatest possible freedom of trade, in the operation of an open market and in a fair price based on supply and demand."

The visible supply of wheat decreased nearly 4 1/2 million bu, somewhat less than last year; total stocks in all positions are 75 3/4 million bu, which is 44 million bu less than a year ago. Chicago stocks increased slightly, but yet amount to only 1 1/2 million bu. The corn visible increased 1 3/4 million bu, to a total of 5,810,000 bu, vs only 4 3/4 million bu the previous year.

Most of the weakness in markets occurred the first hour or two, after that there was buying in wheat which looked as though it were removal of hedges against sales to Commodity Credit Corporation. Likewise, the deferred futures of corn met with better support, part of this coming from buying on undoing of spreads, where January was sold, and the later months purchased. However, with the loan about $1.15 on the farm we believe that sharp declines are unlikely, as this would merely mean heavier impoundings. At the start of the crop it could, of course, happen. July wheat on basis of $1.83 parity does not look like an attractive sale because there would have to be a sharp decline in parity levels, and a much lower loan for the new crop months to sell at such discounts.

Oats were somewhat weaker, but the November delivery is still rather uncertain, and there may be some doubt as to whether tenders later in the month are sufficient to cause the nearby months to decline to the level of later deliveries.

DAILY MARKET LETTER

MEMBERS:
CHICAGO BOARD OF TRADE
NEW YORK PRODUCE EXCHANGE
NEW YORK COCOA EXCHANGE
NEW YORK COFFEE AND SUGAR EX.
COMMODITY EXCHANGE INC.

UHLMANN GRAIN COMPANY
TELEPHONE HARRISON 6282
141 W. JACKSON BLVD.

MEMBERS:
MINNEAPOLIS CHAMBER OF COMMERCE
WINNIPEG GRAIN EXCHANGE
DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 November 13, 1946.

After the close of the market yesterday, the government report was published, indicating total corn production at 3,380 million bu. This was only slightly more than the previous month, but yet is a high for all time, and as the Bureau points out the record volume of crop production is now virtually realized. Killing frosts had not occurred by November 1st in most important production areas, even in the North. As is stated, the extended growing season during October improved both yields and quality of most products, although at the same time it did expose them to further damage by storms and frosts. Soybeans, potatoes, tobacco, apples, pears, grapes, and sugar beets also improved during October. With the small grain crops already harvested, production of th eight grains is expected to reach 165 million tons, the largest tonnage ever produced. The trade paid very little attention to this report because it varied so little from the previous one. However, it does bring to mind that feed grains are abundant, but it cannot be forgotten that with present high prices for cattle and hogs, no doubt farmers will be encouraged to feed on a heavy scale, although some of the more conservative element may be skeptical as to whether or not animal values will be maintained up to the period of marketing. The markets for livestock and meats are influenced by hundreds of thousands of producers on farms and ranges, big and little, all making independent decisions as to whether to sell or not to sell. It was these very widespread ramifications of the meat industry and difficulty of organized control that led to the breakdown of OPA regulations.

When our market opened this morning, values were slightly higher, despite some recessions in the stock market. It seems that the chief cause for the business uncertainty lies in the threat of new wage demands with a prospect of strikes to enforce them if not granted. Likewise it is felt that there is bound to be consumer resistance to higher price levels, such as are occurring in the automobile industry. While both higher wages and higher costs seem justified, based on increases in living costs on the one hand, and higher prices for materials on the other, the experience of the past year has amply demonstrated that raising money wages did not afford a permanent solution but merely carried the wage price spiral another notch higher. We also believe that present increases in the cost of many products will have an adverse effect upon consumption, and these difficulties are apparently being discounted in the securities market.

Late yesterday, the Directors of the Chicago Board of Trade voted to reinstate pre-war daily trading limits for grains, effective November 15th. This in our opinion is constructive because the 5¢ limitation in wheat was too narrow, and maximum or minimum prices in a sing le day's trading session often acted as a magnetic force when advances or declines neared that point. The new limit will be 10¢. In corn and soybeans the prescribed limits will be 8¢ per bu, while for oats 6¢ per bu. It is not likely that these new limitations will be witnessed often except in cases of unusual import.

Primary receipts of wheat amounted to 2,849,000 bu compared with 3,240,000 bu last week, and 2,436,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 203,000 bu.

While trade in wheat is expanding there are periods when support is lacking. This we believe was the reason for a rather sharp decline when our market opened, particularly the deferred months, and July wheat, representing the new crop, especially so. All information from the winter wheat sections seems to be on the optimistic side. They have had fine moisture in the Texas Panhandle, likewise in Oklahoma, Nebraska, and Kansas, and very likely the December condition when given by the government will show a very high prospect. On the other hand, there may be an enormous export business in flour to South American countries. The nearby positions in corn and oats, which had been weak recently, turned around today, and cash demand seemed to be somewhat better. We understand that some export business was put through in corn, although quantities were not large. The East seems to be bidding for oats in this market, and with the open interest in November still slightly over 3 million bu, we believe that great caution should be exercised by shorts. It probably would not take very much from other markets to relieve the situation, but for the time being we doubt whether reserve stocks here can be built up sufficiently to bring about a carrying charge situation.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 November 14, 1946.

The carryover feeling was slightly bullish. Strangely enough, when oats and corn advanced rather sharply yesterday, at least for the nearby deliveries, wheat was somewhat indifferent even though it was considered likely that exports of flour would probably increase to South America with restrictions relaxed. The removal of license restrictions on flour exports is applicable to all countries in the Americas, the Philippines, the Netherlands East Indies, and designated countries in West Africa. Just how much business will develop is difficult to tell, but in any case if transportation holds up, we expect that practically every mill will grind to capacity. There are, of course, other stimulating factors which we have had before, but these continue: namely, wheat purchases by the Commodity Credit Corporation and while most of the buying has been centered in the Southwest, it is thought that about 1 1/4 million bu wheat was purchased in Minneapolis, during the past few days, which undoubtedly is taking hedges out of the market. We can see this in the open interest statement, and there seems to be an expanding trade, although fluctuations are still somewhat erratic, and the scalping element seems to be largely in other pits.

In addition to the wheat buying, CCC is also trying to accumulate corn for export to be applied against the last quarter allocations. A figure of 6 million bu is mentioned, which in itself would not be extremely large, although if taken mostly from terminal markets, as we believe may be the case, it naturally relieves the pressure. This may have caused some buying of the nearby future today, which gained a little more ground on later months. There is no information as to how much corn the agency has already bought, although we believe that moderate purchases were made today in Chicago. Another factor in corn is that the hog market remains so strong. Choice runs today were selling at $24.75 to $25, and, of course, this also will encourage feeding operations. Nevertheless hog slaughter is keeping up at a pretty high rate, and while there was a 2% reduction during the week, still it was 54% higher than for the same period a year ago. Estimated production of pork was 196 million lbs compared with 140 million last year. This likewise meant more lard, and production of that commodity totaled 42.3 million lbs compared with 37.7 million last week, and 26.2 million a year ago.

According to the Department of Agriculture the number of workers on farms was down seasonally as of November 1st, but with 10.8 million persons at work, this is the largest for November 1st since 1942, although only slightly more than a year ago. Picking corn, combining soybeans, and harvesting sugar beets are important right now, and these farm operations in the West North Central states can only be accomplished if labor conditions are satisfactory. Moreover, sorghums are being harvested in Kansas and cotton in Missouri, but with harvest drawing to a close, fewer persons will be needed in the winter months.

It is interesting to note that unusually good weather permitted field work to continue later than in most years, and some fall plowing is apparently still in progress.

Primary receipts of wheat were small, and amounted to only 924,000 bu compared with 1,743,000 bu last week, and 1,587,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 502,000 bu.

Markets in the main were strong, and they received encouragement from the cash, which showed great firmness all the way down the list. It seems that the mills are booking large quantities of flour to South America and the Philippines, and it is possible that this business will keep up for some time. Moreover, the quantities which the CCC has taken out of the market are bound to mount up. During the seven day period from noon November 1st to noon November 8th, 4 1/2 million bu of wheat was bought, and the cumulative total from September 9th to the present time is 41 1/2 million bu, divided as follows: Kansas City 19.5 million bu, Minneapolis 7.1 million, Chicago 8 million, and Portland 6.7 million bu. Thus, we cannot ignore government operations, and it may even influence the deferred months, which at the present time are selling at such sharp discounts. Of course, nobody knows how long the government purchases will be extended.

Spot wheat was 2¢ to 3¢ higher in the Northwest, and at Kansas City ordinary #1 hard wheat sold at $2.12 this morning, which was the season's high. This figured at the time about 29¢ over Kansas City May, and 44¢ over their July.

November oats were strong, and there is still three million bu open. We still fear that the shorts may have some difficulty in covering.

DAILY MARKET LETTER

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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 November 15, 1946.

Sentiment was quite bullish before our market opened this morning. The fact that export business is being stimulated not only through government purchases, but also because of expanded demand, gives rise to the thought that the nearby deliveries might continue firm for some time to come. Cash wheat continues to bring very high prices, and probably the car situation has something to do with it, but this in itself would probably be insufficient if we were dependent solely on domestic outlets for our support. It was claimed that Holland had bought 250,000 bu oats, and while this quantity is not large, still there are very few markets in the country that have reserves, and probably the only place that can really supply a demand of this kind is Minneapolis or some other Northwest market, or possibly Buffalo, where there is a stock of about 5 million bu. It now develops that the Commodity Credit Corporation purchased close to 2 million bu corn yesterday, but the fact that we had a 5¢ upturn while this business was going on, is another indication that possibly it could have been done more economically through private enterprise. Whenever governments advertise that they have to fill certain quotas, the trade immediately feels that many more millions may be purchased, and it would not surprise us at all if the speculative buying had been as large, if not larger, than the actual amounts which the government booked.

There was a factor in wheat overnight that caused only passing attention, but yet in our opinion is very important. The Ottawa government released the second estimate of principal grain crops, and the wheat yield is now reduced to 418.7 million bu as against an original forecast of 440.5 million bu. This cut of 22 million bu will undoubtedly mean heavier demands upon the U. S. The report in Canada also cut other crops, but to a lesser degree. There is a reduction in oats of about 12 million bu, and about a 4 million reduction in the barley crop. Rye has been reduced to about 7 million bu, a decrease of about 500,000 bu from the preliminary estimate, and with such small supplies up there, we are likely to witness extremely erratic markets for the remainder of theseason. Exporters all state that there is a heavy demand for U. S. flour, and now that Latin American countries and the Philippines are permitted to buy here, we have to revise our estimates to some extent. Still we are advised that the Brazilian demand for flour has dropped off completely, and this may be due to the fact that wheat cutting has started in the Argentine and the crop there is turning out better than anticipated. In most years, Brazil takes about 40 million bu wheat from the Argentine, and, of course, its proximity to the South American source makes it much more economical to buy from her neighbor instead of drawing supplies from North America.

Hog prices remain around the $25 level, and apparently this is going to have some influence on the amount of feedstuffs to be consumed. Record numbers of stocker and feeder cattle have been moving into the corn belt States. This movement together with the record production of corn of good quality, large supplies of other feeds, and excellent wheat pastures point to a substantial increase over the preceding year in cattle feeding during the winter season. However, in the west States, there should be some reduction from last winter.

Primary receipts of wheat were 1,902,000 bu compared with 1,274,000 bu last week, and 1,617,000 bu last year. Kansas City and Minneapolis stocks have decreased 761,000 bu so far this week, indicating a decrease in the visible supply, which will compare with last year's reduction of 4,431,000 bu.

Most of the strength came during the first hour or so. Brokers representing export houses were on the buying side of corn, and for a time it was thought that possibly the volume would be larger than was tentatively figured. It is our understanding, however, that the government, at least for the time being, has completed its purchases, and from the action of the market possibly we are correct in this surmise. In any case, when the buying of hedges ceased our markets became weak; even November oats, on a small volume, declined rather sharply at times, and there seems to be less confidence on the long side of May oats, even though they are selling at a heavy discount.

We do not care to press the short side of wheat in view of the many export outlets which we have; yet we are convinced that it will be no easy matter to maintain present high prices next spring unless clearances continue on a very heavy scale. UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 November 18, 1946.

The coal strike is very serious from many points of view, and apparently in spite of government action, some of the men have already left the pits ahead of the time when the strike was officially to start. Just what the outcome will be is, of course, uncertain. Some experts believe that the men will finally gain wage increases of 15 to 25%, and that this may set the pattern in other industries. Of course, such a thing would be very inflationary. It would mean gradually higher living costs, higher prices, and in the long run nobody would benefit materially. As it would affect grain, there are other intermediate guesses, some of them being that if processing plants and elevators would have to curtail operations, it mig t interfere with the drying of corn or with the handling of grain in its manufacture. Apparently this was not too much of a worry this morning, as first prices were higher, and possibly the improvement in weather leads to the belief that we shall have to deal with less wet or soft corn during the next few weeks. The forecast is for somewhat higher temperatures until Thursday, but then a return of the present cold spell, all of which is satisfactory for harvesting operations. The Illinois crop has turned out much better than anyone had expected. This was the first time that yields surpassed the half-billion-bu mark, and with the assurance now that we shall harvest 515 million bu, it will be 71 million bu more than the previous high of 1937. On this basis there is bound to be a good movement, as there probably will not be enough crib space in the country to store such an enormous surplus.

In this connection, we believe that it is wise to call attention to the parity concept, and to point out some of the fallacies which have crept in as new farming devices have developed. It is our understanding that the loan of 90% will be based on the October 1st parity level rather than the September 15th basis. However, what is much more important is the fact that balanced comparisons are supposedly made with the base period, which is 1909-14. At that time the corn yields were very much poorer than they are at present; in other words, we used to raise 26 bu to the acre. At the present time the five-year average yield of corn is 34.8 bu to the acre, or nearly 9 bu more than during that base period. Many economists and farm leaders often refer to the period of August 1909 to July 1914 as a time when there was balance between the cost of commodities purchased by farmers and the prices received for commodities sold from the farm. This idea of balance between these prices has come to be known as parity. In the Agricultural Adjustment Act of 1933, the declared policy of Congress was to "re -establish prices to farmers at a level that would give agricultural commodities a purchasing power with respect to articles that farmers bought equivalent to the purchasing power of agricultural commodities in the base period." In other words, when a producer of corn considers parity, he apparently means a price for a bushel of corn that will buy in the market the same quantity and quality of non-farm commodities that a bushel of corn commanded in the 1909-14 period. However, when he is producing 9 bu more per acre than he did at that time, and probably is also getting better yields of wheat and of oats than he did during the base period, it can readily be seen that he is not only getting great consideration, but is actually being favored far beyond the original concept. On top of this the producer also wants his labor costs included, or at least certain legislators are claiming this to be the case, but as we have often pointed out, the question of labor is already figured in the price of manufactured articles that farmers have to buy.

The wheat visible decreased 3.3 million bu, while corn increased 1 3/4 million bu.

heat was strong and we understand that millers are receiving inquiries from various South American countries, but they are quite indifferent for the reason that most of the mills are pretty well sold out for several months ahead, and nobody is making any special effort to sell. Without a great deal of buying the January future was quite strong, and this in turn influenced later months.

The cornmarket was also strong; little attention is being paid to the possibility that receipts may remain fairly large for the next four or five weeks yet. Some oats are apparently going to be delivered on November contracts, but the nearby month remains strong. Liquidation is proceeding slowly, and we find that there is still over 2 1/2 million bu open interest in November which must be cleaned up during the week or settled by delivery.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 November 19, 1946.

The carryover feeling from yesterday was slightly bullish. It seems that in commodity markets even when total supplies are large, there is a great difference whether we go from small reserves to a large crop, or from heavy reserves to a small crop. This is beginning to make itself felt in the corn market, where the old supplies were dissipated and many holes had to be filled, so that even the heavy movement now is hardly sufficient to take care of the vast demand from both feeders and processors. Were it not for the car shortage, of course, conditions might be different. The fact that barge receipts and those by truck are running heavy is, of course, a help, and today we have about 240,000 bu corn here in Chicago from those two sources, but apparently the demand is sufficiently large for all the corn that can be commercially dried. Should there be any difficulty in obtaining enough coal to carry on this process, it would aggravate the situation further, although with improved weather now we believe that the receipts will run somewhat better and that there will probably be less moisture corn to deal with. There is some likelihood of more moderate temperatures for the next day or two, followed by rain and then much colder.

In wheat, there is really nothing decisive at the moment, except that even with the large crop there has been a tendency for all commercial demand to consume pretty well the reserve stocks that were in terminal elevators. Besides a good export business that is taking place on both wheat and flour, the Commodity Credit Corporation has completed loans on about 15 1/2 million bu wheat, which in itself is not large, but yet it is surprising in view of market prices that even this quantity should go under the loan. Judging from some of the letters we get from the country, and even from farmers there is a large amount still being held by producers in order to secure higher prices next spring. We are in a period now where ordinarily bull markets prevail, and this often happens between Thanksgiving Time and about January 10th. In fact, there is a saying that anyone who is short wheat over Christmas generally does not enjoy the holiday. After the turn of the year, of course, pressure from Southern Hemisphere generally becomes greater, but judging from the poor outlook in Australia, there will probably not be much pressure from that source, and even assuming that Argentina ships 100 to 125 million bu, this is not likely to have much effect, as some of the wheat will go to Brazil and other South American countries. Furthermore, European demands are so great that there is very a pt to be a sellers' market.

The Argentine government has announced the basic price to wheat producers, which will be about $1.38 per bu. This price, while more than the basic rate set at the beginning of the present crop season, is still not too high in comparison with competitive prices. The harvest of small grains has already begun in northern areas and yields are generally good, according to late reports. Ordinarily the peak of the Southern Hemisphere movement is not reached until some time in March. Therefore, it can be readily understood that the real harvest should not be in full swing for probably another month, at least.

Primary receipts of wheat amounted to 1,931,000 bu compared with 1,867,000 bu last week, and 2,088,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 112,000 bu.

After going into new high ground on the present turn there was some reaction in all grains, but weakness in wheat was shortlived. It seems that the wheat purchases by the CCC amounted to 4 1/2 million bu between November 8th and November 15th, of which 2 million bu was at Kansas City, 1 1/4 million bu at Minneapolis, and only 20,000 bu at Chicago, and the balance at Portland. However, the cumulative total since September 9th amounts to about 46 million bu, and is certainly a factor.

Corn after scoring further gains was subjected to some profit-taking. The same was true in oats; the November delivery is liquidating rather slowly, and after today's session there are only two more days for trades to be settled in the pit.

Weather for winter wheat is almost perfect. The entire state of Kansas has received additional rains lately, and subsoil moisture is about the best that it has been in years. The same is true in Oklahoma, where a large acreage has been planted; in fact, it may be the biggest ever sown to wheat according to some sources.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 November 20, 1946.

When our market opened this morning, it was influenced by lower prices for securities, and, of course, the impending coal strike is causing nervousness throughout the country. However, we have pointed out on numerous occasions that conditions surrounding wheat and flour have strengthened to a considerable extent, and each week seems to bring news that additional purchases have been made by CCC, so that in the aggregate this is a very influential factor. Cash markets as a result, are remaining very firm. At Kansas City, for example, 12% #1 hard wheat, which is practically ordinary, is bringing big premiums over their December; in fact, present prices are about 29¢ over the May future there, and 44¢ over July, which certainly removes temptation from short sellers who might otherwise figure that the deferred months are bringing high prices, which, of course, they are. Some day cash and futures must come closer together, and if the demand from Europe and from the Americas persists, we believe that May and July wheat even now are too cheap.

Southern Hemisphere crops have shown some deterioration, particularly in Australia, where the outlook now is for only a fair reserve after taking care of the somewhat larger domestic needs due to feeding. The drought, which previously was confined to parts of New South Wales, has now spread to other states, and the present estimates are rather on the pessimistic side, plus the fact that there will be little or no carryover of wheat this year. From all we hear the more recent weather conditions in Argentina have been beneficial, and the plant had a good winter. On occasions temperatures were a little too high, but the one item taking the greatest toll was the frosts that were officially reported to have extended into southern and western Buenos Aires, Santa Fe, Cordoba, and Entre Rios. Under these conditions North America will have to furnish most of the wheat and flour for the importers' requirements. Of course, Canada, under the Anglo-Canadian Wheat Agreement, will furnish about 160 million bu for Britain, part of which may be resold to others at the same price. However, if this is done, it will necessitate purchases from other exporters, as very likely Britain will need close to 200 million bu during the present crop-year. Wheat crops in Western and Southern European countries have turned out more or less in accordance with expectations, but apparently the Continent will have to import more than was earlier expected. As Broomhall figures, with additional quantities needed in the American and British zones of occupation, the importation of bread grain and flour cannot be estimated at less than 560 million bu, including the amount taken by the United Kingdom. If this is the case, it will mean a heavy demand all through the season. Our markets are already reflecting the urgency of this demand.

Primary receipts of wheat were not large, and amounted to 885,000 bu compared with 1,849,000 bu last week, and 1,360,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 436,000 bu.

Markets were all reasonably strong, although volume of trade was not particularly heavy; there was some profit-taking, so that best prices did not hold. At the beginning of trade this morning there was still about 2 million bu of November oats open, and we believe tomorrow, being the last day for trading in the pit, may see rather erratic swings in both directions. While there are not a great deal of oats here in Chicago, neither is the demand particularly keen, and at a premium of about 4¢ per bu over December, longs may still wish to be cautious. On the other hand, industries do not have big supplies, and we expect a pretty constant demand.

The country apparently was an eager seller of corn, and we believe with this tremendous crop it will take some time for the farm surplus to be disposed of. Barge and truck receipts amounted to about 450,000 bu in today's receipts, indicating that the movement would be larger except for the car shortage.

Weather continues satisfactory; all those reporting on condition of winter wheat are optimistic that the plant got off to a splendid start, and the government report in December should be quite bearish.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 November 21, 1946.

Due to the fact that the Canadian wheat crop has been reduced to 418.7 million bu, we believe that it might be wise at this time to take stock again of conditions in Canada, particularly since the quantities exported by North America will have a very important bearing on the whole wheat picture. Their carryover onAugust 1st was slightly less than 70 million bu, so that total supplies amounted to 488.6 million. It is impossible to calculate exactly what the domestic consumption in that country will be for the reason that the figures have been increased during the past few years. While we used to figure, roughly, about 50 million bu for home usage, plus about 32 million bu for seed, to this must be added the larger quantities now being fed, and apparently last year about 77 million bu was thus used, plus possibly 8 million bu for alcohol. If we go on the theory that there will be little change during the current season, it can readily be seen that net supplies will amount to only 320 million bu to take careof shipments and next carryover. During the first fifteen weeks of the season their clearances have amounted to about 67 million bu, or less than 5 million bu per week. This is not a particularly good showing, but apparently they have car shortages also and difficulties in getting grain to the seaboard. We also understand that due to the Anglo-Canadian Wheat Pact, the farmer is not particularly pleased with the price and is not pressing his grain on the market, but whether this has anything to do with it is difficult to say.

As for our own situation we know that the government is making every effort to get grain into exporting channels. In twenty weeks as near as one can tell, about 117 million bu was cleared from these shores. This is the figure given us by Sanford Evans, and as we have mentioned on several occasions, it is extremely difficult to have anything accurate as the Department of Commerce does not furnish weekly and prompt monthly reports, as was the case before the war. As a result, there is much more guesswork than in former days.

Late yesterday it was announced from Washington that PMA had boosted its flour buying price 15¢ per sack. This action was necessary because of higher wheat prices, but whether the exportation of flour will increase to any extent is difficult to say, as a good many mills were already working at full capacity. It does show, however, that the demand from abroad is going to be a sustaining influence, and for that reason breaks when they come will probably be shortlived.

We had temporary weakness when our market opened this morning due to the fact that securities were lower, and there was general pessimism due to the coal strike, but yet there seems to be a demand in the pit, and in recent weeks March wheat has gone from a premium of 3¢ over May to practically 10¢ over, with exporters protecting themselves through futures purchases against cash wheat that has been sold to CCC for deferred shipment. There was a sharp break in Argentine corn prices, apparently resulting from an embargo. Their market was about 10¢ lower, but possibly they are trying to conserve supplies until they know more what the next crop will yield. This had very little effect on us, although prices were somewhat lower here due more to rather heavy offerings from the country, and the belief that the government would continue on a good scale for several weeks yet.

Statistics did not count for very much today; in fact, little attention was paid, but the wheat market was again very strong and went into new high ground. The fact that cash wheat is fully maintained everywhere and that outside markets are strong, of course, is a factor that should not be disregarded, despite the fact that many people are pointing to high price levels. The open interest is around 15 million bu, and has expanded somewhat, although we believe on the long side there are a great many hedgers who feel that they need that protection against cash sales made to the government.

Corn prices were reactionary for a time but toward the end of the session, there was considerable buying by one broker, and the market rallied on possibility of export business, and we find that while receipts are not particularly large they are still being hampered by shortage of box cars. Today's arrivals by truck and barge amounted to about 180,000 bu, indicating that the country is a willing seller. Oats were intermittently strong and weak, and evening-up of the November contracts was one of the important items of the session. All told there was about 1 1/2 million bu that had to be evened-up except for transactions that will be settled after today by deliveries.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO, 4

MEMBERS:
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CHICAGO MERCANTILE EX.

November 22, 1946.

There was not a great deal of news overnight except that weather over the corn belt had cleared. Lower temperatures were reported, and on the whole it seems more favorable for harvesting of the crop. Cold wave conditions have prevailed in the Northwest, and some subzero readings have been reported from western North Dakota, thus bringing to an end fall plowing in the northern areas due to the frozen ground. Cold, wet weather in the Far West was generally unfavorable for harvest, but the additional moisture was beneficial. As a matter of fact, soil conditions are generally good everywhere, except possibly in sections of the Ohio Valley, but winter wheat covers the ground pretty generally in the main belt, and is in very good to excellent condition, leading us to believe that when the December report is issued, prospects will run high as compared with other years. Late yesterday, there was buying of corn futures by a house with export connections, and it was thought possible that foreign business had developed again. It was reported this morning that 300 to 500,000 bu corn was sold to the Commodity Credit Corporation several days ago, and it was thought likely that this corn was for shipment from the Pacific Coast, presumably for Japan and Korea. The Department of Agriculture has granted allocations for the fourth quarter of this year for about 4 million bu to that territory. Of course, it will not be long before other allocations may be announced, but what grains will be shipped during the first quarter of 1947 is still a matter of conjecture.

While the country has been a liberal seller of cash corn, considering the box car situation, it must also be remembered that feeding opportunities are good, and hog prices have strengthened progressively, with recent quotations currently reported at $25 at numerous central markets. If marketings through the last half of November follow the normal pattern of moderate increase over the first half, (and most observers expect this to happen) then the deficiency in receipts prior to October 15th will have been fully recovered by the end of this month. The reason that this seems likely is that prolific interior Iowa territory has had a large number of hogs that are now ready and seem to be moving freely. Probably in no other fall season in recent years has there been as little sickness amongst hogs as existed this year to date.

The CCC announced purchases of 100,000 bu corn, which raises the current buying program to about 2 1/4 million bu. However, the government has not bought any wheat in the Southwest for the past week or so, but on the other hand there seems to be a heavy demand for flour both for export and for domestic trade, and prices have been rising sharply during the past several days, with possibly further advances likely following the high prices for cash wheat and for January delivery. As a matter of fact, today's level was at a peak for the past twenty-five years. One of the factors that probably gave some impetus to our market was a report from Ottawa that Britain had approached Canada with the idea of buying 40 million bu more wheat in addition to the 160 million bu to which she was entitled under the four-year agreement. This offer was rejected on the grounds that with the Canadian crop now estimated at only 418 million bu, Canada could not afford to take on further commitments. It shows, however, that the European demand will continue to be a factor for at least six months, and if this is correct, deferred futures still appear cheap in comparison with the high prices that are being paid in the spot market.

Primary receipts of wheat were 1,829,000 bu compared with 1,902,000 bu last week, and 1,929,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 696,000 bu. When the visible supply is posted on Monday, it will compare with last year's heavy shrinkage of over 6 million bu.

Markets were generally very firm. It seems that without pressure and with the possibility of large clearances in practically all grains, sentiment favors the constructive side of the market. The car situation is preventing any accumulations, although 210,000 bu corn was received in Chicago today by truck and by barge, which is, of course, helpful. There was some profit-taking, and the markets were extremely mixed. For example, in oats the deferred futures were the strongest, while in wheat the July was actually a little lower. It is felt that with cash oats bringing 85 to 87¢, the March and May deliveries are comparatively cheap, unless there should be a drastic break after the turn of the year if we should get a heavier movement from the country.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 November 25, 1946.

Everybody was anxiously waiting to see what Mr. Lewis would do on the contempt charges for failing to carry out his contract with the government. Most people are of the belief that with the present labor shortage he will probably win out, and may gain a 20% increase in wages for his men, which will undoubtedly be the pattern more or less for other unions. The one thing for which we have always fought in this country was for full employment, but yet it is a sad commentary that when we have it there cannot be complete efficiency on part of labor. In other words, when any one industry expands, it can only carry on by taking away men from other fields, This not only breeds discontent, but also gives labor a feeling that jobs are easy and that they do not have to work as wholeheartedly as when their work is more competitive. Thus, there is little doubt in our minds as to the outcome, and in the long run this means more inflation, comparatively high prices, and finally few benefits for anyone.

The stock market was more or less unchanged before the grain market opened, and our prices were slightly lower, being influenced mostly by a slight easing of the cash situation, and the fact that on Saturday spot wheat in Kansas City had come closer to a delivery basis for December contracts. However, with the price of cash wheat 20 to 23¢ over May, and even at a greater premium over July, one has to expect that some day the country will sell on a heavier scale. This might happen now if the car situation were not so tight, or it might be delayed until after the first of the year due to income tax considerations.

Ordinarily at this time of the year much attention would be paid to developments in the Southern Hemisphere. As we have mentioned frequently, the Australian outlook is very poor, but the Commonwealth plans to encourage seeding of as much wheat as possible in 1947, and the only restriction will be that no licenses will be granted for seeding on land unsuitable for wheat. The U. S. Department of Agriculture, commenting on foreign crops, tells us that the third official estimate of the Argentine crop sown to wheat is 16.4 million acres. Harvesting is under way in northern areas, and already prospects are reported to be generally above average. Latest trade estimates of the crop range from 200 to 225 million bu, despite excessive rainfall reported in some areas. Wet weather, however, will be favorable for corn, although it is delaying ripening of the wheat crop. Fear of locusts in the corn fields has caused some pessimism, and was probably the reason for restricting exports. Their corn market recently has been quite weak, and another 5¢ decline was reported today.

Here at home receipts of corn at Chicago were very heavy, and in conjunction with barge and truck deliveries more than 1 1/2 million bu arrived today. This temporarily is more than the market can take care of without some concession in price.

When the visible supply of wheat was posted there was a decrease of 288,000 bu, which was less than last year; total stocks are now 69.6 million bu compared with 109.7 million bu on hand a year earlier. Corn showed a fairly good increase of 3.3 million bu, and there was a decrease of 1.8 million bu in oats. Chicago wheat stocks decreased 214,000 bu, leaving only 1,184,000 bu here in Chicago. Local corn stocks increased 608,000 bu, to a total of 4 million bu.

After an early break in markets corn and oats showed good recuperative power. It seems that the flour business is just about as heavy as the capacity of the mills allows. In other words, the inquiries coming from Europe and from South America are so vast that one would almost be led to believe that there is fear of a scramble after the turn of the year, such as we had in the early months of 1946 when many parts of Europe were practically on a starvation basis. Of course, some deterioration in the Southern Hemisphere crop prospects has caused greater concern. As we have mentioned repeatedly, with export buying continuing on an active basis, chances that next quarter allocations will be even greater, plus the fact that mills could hardly book increased orders, all indicates there is nothing very bearish in the immediate future.

Corn still has a period of pressure ahead; bids today were reduced by 1 to 1 1/2¢ a bu, mostly for wet varieties, and possibly the January delivery may finally go to a carrying charge under distant months.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 November 26, 1946.

It is distasteful to us to have to repeat ourselves so frequently on the question of car shortage, and yet this phase is of the utmost importance to the grain trade, because according to the economists' definition nothing is fully produced until it is in the shape that it is wanted at the time that it is wanted, and in the place it is wanted. In other words grain on the farm serves no useful purpose when people in the cities or overseas are in dire need of supplies. The nation's shippers yesterday blamed the breakdown in transportation on the various defects in federal statutes, and we have really thought for some time that such an accusation was warranted. We have examined rather carefully the carlots as they have been published each week, and found it difficult to explain why so few cars were being diverted for the handling of grain. Last week, for example, there were 123,000 more cars loaded than a year ago, by the various carriers for the hauling of merchandise, coal, livestock, forest products, ore, coke, and miscellaneous freight, while for grain 7,000 less cars were obtainable. Apparently something is wrong when one of the most important items such as foodstuffs is given so little consideration at a time when movement to market is essential. We have just raised the largest corn crop in the history of the country. Here in Chicago, we can help ourselves to some extent through barge and truck receipts, today's total, for example, amounting to about 1/4 million bu. Receipts by rail were 157 cars, and undoubtedly there would be a much larger movement if transportation were properly coordinated, so that food and feedstuffs received their share of the total.

There was very little grain news overnight, although the carry-over feeling from yesterday was slightly bullish, particularly with respect to oats, because there are no important stocks anywhere in the country. Present receipts are light, and it looks very much as though the pattern of premiums for the nearby delivery would continue for some time yet. It was quite obvious when September oats became so tight almost at the beginning of the season that farmers were disinclined to sell heavily, and here, again, we believe that because of inability to secure cars when the harvest was on, a good many oats were stored away, and it may be slow work to bring them to market, except, of course, that next spring everything may change if crop prospects at that time are favorable. For the moment moisture in the winter wheat states is about all that could be expected. Still we must remember that billion-bu crops are the exception rather than the rule, although the chances for big yields have been enhanced with improved farming technique and better seed. Our domestic consumption is undoubtedly larger than in pre-war years, but many people are asking the question as to what will happen to our export markets after the demise of UNRRA on January 1st for European destinations, and two months later for Asiatic shipments.

On basis of demand alone, especially for flour products, one could become very bullish, but price rises should not be overlooked as was the case in cotton, and where with even a tremendously bullish situation a 25% decline was registered in rather short order. Reports from the Southwest indicated some further easing in cash premiums, and ordinary wheat was about 2¢ lower than yesterday, although present prices still represent a tremendous premium over the deferred months, and some day we realize that cash and futures must come together.

Primary receipts of wheat amounted to 2,262,000 bu; this compared with 1,931,000 bu last week, and 2,261,000 bu last year.

Trade in wheat was fairly large, and there was considerable pressure on the July future. Some of the selling came from the Southwest, and we noted that Kansas City July wheat at one time was quite weak. Cash premiums in the Southwest slipped another 2¢ today, and we would say that cash wheat is about 7¢ off on basis from top levels.

There was a fair amount of buying of oats, some of this may have been short covering, but we believe in the main that these were new longs figuring that the strength in December might later be extended to the distant months.

January corn was relatively weak, and the movement in our opinion will continue for a long time yet.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 November 27, 1946.

When history is written it will record quite a few events pertaining to wheat and flour during the present period. It will tell of the very heavy exports of the United States to satisfy hungry people in foreign lands. It will tell of sizeable quantities that were given away by our government through UNRRA and other relief agencies. On the other side of the picture it will show the gratitude of some of these people, but also the indifference of others to the kindness that we have extended to them. It was not so long ago that Britain entered into a long-term agreement with Canada for the shipment of about 150 million bu wheat each year, which will almost take care of the United Kingdom requirements. In the past month Argentina has announced the signing of long-term agreements for the sale of wheat to Brazil and Spain. The former provides that shipments will take place at the rate of about 44 million bu per year for a five-year period, and the price will be established monthly in such a way that the lowest figure will prevail at which Argentina has sold wheat to any country during the previous month. This, of course, is a very attractive offer, and may prevent our doing business with that country except in periods when the Argentine crop turns out very poorly. The second agreement provides for the sale to Spain of about 15 million bu in 1947, and a somewhat smaller quantity in 1948. In the three succeeding years Argentina will supply Spain with 90% of her requirements. Broomhall, commenting on these arrangements, points out that it will leave very little Argentine wheat for other importers in 1947, but, of course, this may be only the beginning of other deals, and finally on an increased acreage they might take other of our customers away from us.

When our market opened this morning prices were reasonably firm except for corn. It is felt that the yellow cereal will witness the building-up of supplies, which has not been the case in either wheat or oats. In addition to the carlot receipts today, there was 224,000 bu corn received by barge, and nearly 50,000 bu by truck, and it is our belief that the barges will be able to operate most of the winter, so that even if the car shortage should continue we may be able to get rather plentiful supplies here if the farmers continue to sell. Ordinarily December and January are periods of accumulation.

The government wheat purchases during the past week have been on a smaller scale, only about 1 1/2 million being acquired. At Kansas City they purchased only about 2 cars, Minneapolis 7,813 bu, and at Chicago 1,326,897 bu; the balance was at Portland. The cumulative total since September 9th amounts to 47.5 million bu. There is the possibility that they will start buying in the Southwest again, and we also hear that PMA will buy flour competitively, and not announce prices ahead of time, as their recent method has hardly permitted them to do any buying in volume.

With Duluth receipts missing, the primary movement of wheat today was 412,000 bu compared with 885,000 bu last week, and 1,176,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 316,000 bu.

It seems that the spot markets in wheat are tending little lower now. At Minneapolis there was a decline of 5 to 9¢ per bu, the latter being mostly on 13.40 to 13.70 protein wheat, while the 14 1/2 protein wheat was as much as 5 to 7¢ lower. In Kansas City cash markets were unchanged to 1¢ lower, and this is all having some influence despite the fact that wheat has been bringing such tremendous premiums over the May delivery. Finally we expect that futures and cash must come still closer together. At the moment it seems rather difficult to bull feed grains while corn is moving in such volume. Even oats were influenced today, despite the fact that supplies at terminals are light, and receipts continue meager. A car of #1 extra heavy white oats today sold at 8¢ premium over the December future.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 November 29, 1946.

There were no developments over the Thanksgiving Holiday as far as the coal strike was concerned. While atthe moment it appears as though it could be a bitter struggle, in many quarters it is believed that a compromise will be reached between Mr. Lewis and the coal operators, with the government relinquishing the mines whenever settlement is made between these two parties. However, the strike, which may cause corn driers to curtail their capacity,plus heavy receipts, has again given an easier tone to the cash corn market. The two-day receipts in Chicago this morning were about 1 1/4 million bu, comprising 272,000 bu by barge, 53,000 by truck, and 529 cars. At the moment premiums are 1/2 to 1¢ lower than Wednesday, and are running about the January price for ten-day shipment basis No. 2 yellow corn. Receipts of wheat in the different markets were also quite heavy, Minneapolis reporting 624 cars, Kansas City 375, Hutchinson 260, while Chicago had 66 cars.

An order was signed today eliminating the 85% restriction on domestic sale of flour, and allowing distillers to use more corn, as well as eliminating some restrictions on exports of flour, and it is reported that Great Britain is inquiring for tremendous quantities of U. S. flour. The elimination of the 85% restriction and the ability of mills to sell flour in most any direction they wish without permits will be the ending of most of the remaining controls on the use of grain in this country. However, in viewing the world picture, governments still dominate the situation, and private enterprise is greatly restricted. In Canada, the Wheat Board handles practically the entire marketing outside of that country. The United Kingdom has entered into wheat deals with Canada and elsewhere and controls the delivery quotas from the farm. The Argentine government has made sales to Brazil and Spain at guaranteed prices. Australia has acreage control and price guarantees and handles all the export business. Russia is entirely controlled, and various European countries have controls. In the United States, the CCC remains the merchandising outlet, buying and selling vast quantities of grains. Loan programs are recognized for two years after the official ending of the war. For the last few years with the large demand for farm products, there has been no acreage allotment or marketing quotas, but this program is always in the offing. Controls are maintained over exports through allocations by means of a quota system.

The past week witnessed rather severe cold weather over the northwestern states and brought a hard freeze southeastward to the Ohio Valley. There was no damage caused by the low temperatures, and in fact the hard freeze favored the drying of corn, while frozen soil in the northern portions of the corn belt permitted farmers to enter previously soft fields. The main winter wheat belt had additional moisture, and all reports indicate that there is sufficient surface subsoil moisture to assure the new crop entering the winter period in excellent condition. The subsoil reserve is probably the best in recent years.

In a statement accompanying the release of grain restrictions, it was stated that the government has purchased or has under contract enough wheat plus the amount of flour to be shipped to equal the 267 million bu for export on this crop. Transportation problems, they believe, will limit grain exports to the previous goal of 400 million bu, although there would be available for export 550 million bu.

Because of the holiday comparison is not quite possible with last year, but wheat primary receipts today were 2,641,000 bu against 1,829,000 bu last week and 1,756,000 bu last year. Stocks at Kansas City and Minneapolis so far this week have decreased 491,000 bu, indicating a visible supply decrease of probably less than last year's 4 1/4 million bu.

Mar kets had an easier tone all during the session, and the wheat basis was lower both Northwest and Southwest. Some late buying orders in oats tended to support that market for a while, but renewed selling broke through the resistance.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 December 2, 1946.

Ever since last Friday, longs have been pretty much on the defensive. This refers not only to those who have owned futures, but also to those who were long cash wheat, and probably the latter were even more affected because of the fact that the spot market has been very weak. Of course, when word came from Washington that CCC had about enough wheat, together with the amount of flour still to be purchased, to cover the export goal, it caught many people by surprise. A good many had previously figured that the purchases by CCC would continue for an indefinite period. It is still very difficult to figure out governmental policies. Even today one could probably sell fairly large quantities to the Commodity Credit Corporation, but whether this will be the case tomorrow or the next day is something else again. If one goes pretty much on Mr. Anderson's figures, he would be led to believe that CCC might purchase up to 30 million bu unless it was finally decided to enlarge the export quota. On the other hand, basing the next loan on present parity would mean a loan price in Chicago of about $1.89 per bu if the July parity figure were the same as at present. On that basis July wheat here looks comparatively cheap, but of course, nobody can be altogether certain that the support program will remain in force. A few days ago, Secretary Anderson sent a letter to the Chairman and ranking minority members of the Senate Committee on Agriculture and Forestry, and the House Committee on Agriculture, suggesting a joint conference to consider the whole question of agricultural price support policies. We have known for some time that the Secretary was waivering, and had been influenced, owing to the fact that it had been a very costly operation in potatoes, not only that the market had to be supported, but there was quite a bit of spoilage, and apparently Mr. Anderson wants to prevent if possible the same thing from happening to grains.

When our market opened this morning, all cereals were inclined to be somewhat easier. More attention is now being paid to supply and demand factors, and there was a report from the Santa Fe Railroad appraising the subsoil moisture conditions for the next crop. On the whole it was a very optimistic statement, and they claim that Kansas is virtually assured of a big crop of wheat because of the fine start. This was qualified by saying that a tremendous harvest might be prevented if something would go wrong later on. However, at the present stage, with the large acreage in prospect and a moisture reserve seldom equalled, planting for the most part had been under favorable conditions. Should this create a good deal of bearishness on the new crop futures, we would be hesitant in following declines for the reason just stated-- that next year's parity is not apt to be much lower than at present, and in fact, if the inflationary tendencies continue it might even be higher. On the other hand, it seems more likely now that just as the cash wheat and December futures have come closer together, the same will be true with respect to the more distant futures of wheat as we progress. Very likely the country will sell a fair amount of cash wheat after the turn of the year as many have been waiting for reasons of income tax. Just what offsets there will be in government buying remains a mystery in view of all the recent statements that have come out of Washington.

There was a delay in compiling the visible supply statistics but we shall have this data tomorrow. Chicago wheat stocks increased 21,000 bu but yet total only 1 1/2 million bu. Chicago corn stocks increased 481,000 bu to a total of 4 1/2 million bu. There was a slight decrease in local stocks of oats, and we have about 2 million bu left here.

There was some selling of oats futures, presumably for eastern account, but cash oats remained reasonably strong, and it is thought possible that some export business might develop. This was probably a sustaining influence, but the deferred futures seem comparatively cheap versus cash oats, and that market might gradually improve. There was also some buying of May corn on the theory that it was pretty close to the loan level, and in general there seemed to be a slightly better sentiment. Wheat prices rallied when it was learned that government purchases were still being carried on insome markets, but best prices of the day were not quite maintained.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 December 3, 1946.

There continues to be great confusion in the grain trade. It seems that there are no "cut and dried" statements coming out of Washington. While Mr. Anderson has recently announced that the government had about enough wheat, together with the flour still to be purchased, to take care of export goals, buying operations are still being practiced, although not with the same regularity as heretofore. Last night they were not accepting all offerings of wheat in the Southwest, and word went around that owners should remain cautious, with the result that one could have purchased very large quantities of cash wheat probably at somewhat depressed prices, but this morning the government bids were in again on a slightly lower basis for nearby shipment, and apparently the Commodity Credit Corporation is willing to take on all sellers, both for immediate and for deferred shipments.

There is some concern apparently in Mr. Anderson's mind as to whether the price support programs should be extended to farmers who do not adhere to acreage goals. He pointed out recently that keeping a floor under potato prices this year in face of 100 million bu surplus would probably cost the government $80 million. Besides this he stated that the Department was expected to lose about 20 million bu potatoes through freezing and spoilage this winter. Other commodities are also causing concern, such as tobacco, and it can only be a question of time before surpluses are bound to arise in wheat or in corn when we get back to a normal basis, if heavy impoundings take place, as was the case prior to the war. In fact, it was only the heavy demand from Europe during the period of hostilities that prevented a collapse some years ago. Even now, with the heavy demands which are being made upon us by the hungry nations of Europe, Mr. Anderson summed up the general situation by saying: "We have enough grain to meet our needs for civilian consumption of bread and cereals-- enough to maintain livestock production-- enough to keep grain-using industries in operation and their people employed-- enough to meet our export goals-- enough to build safer reserves." At the present time the Secretary plans to proceed with the first detailed instructions for production control unless Congressional leaders are able to arrange a conference before the new session convenes. In other words, Congress has been placed on notice that unlimited price support is an intolerable incentive to over-production. Moreover the Department firmly intends to limit such payments to farmers who stay within the production goals. As we view it, this cannot change the winter wheat acreage, although it might possibly have some bearing later on for spring wheat plantings.

Coarse grains were rather firm today; exporters were again after cash oats, but we do not believe were able to buy them in satisfactory quantities for cargo space. We also believe that one of the leading elevator houses wants delivery, and if the cash market remains so strong, we feel that the deferred months will later respond to these same constructive factors. In corn the distillers seem more interested, and while present receipts are not only ample for immediate needs, but are helping to build up reserves, the situation may be different later on. Therefore, we feel that with the price reasonably close to loan levels, the short side of the market is not particularly inviting.

The visible supply which was not posted until this morning showed a decrease of only 57,000 bu for wheat, and the total stock on hand is 69.6 million bu compared with 105.4 million bu last year. There was an increase of over 3 1/2 million bu in corn which brings the total supply up to 14 1/2 million bu for the whole country. Primary receipts of wheat amounted to 1,717,000 bu compared with 2,262,000 bu last week, and 1,979,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 92,000 bu.

The recovery which started yesterday in corn and in oats, went a little further this morning, but yet we would like to call attention to the fact that even though distillers bought about 2 million bu of corn it had very little disturbing influence on the market, although when the government bought about the same quantity some weeks ago we had considerable excitement and the market rallied nearly 5¢ per bu. Wheat was likewise very firm, and the fact that the CCC bought nearly one million bu of cash wheat in Kansas City yesterdaywas regarded as evidence that further supporting orders might be expected.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 December 4, 1946.

Late yesterday word came from Washington that rail shipments were to be embargoed, effective almost immediately, and it was not quite understood whether some food and grains would be covered by this order. In fact, it was not even clear this morning when the matter was discussed in the news columns. Apparently both export and domestic shipments of grain are to be excempt, which means that shipments can be made from one market to another, and also, grain may be shipped from country to elevators regardless of whether it will be immediately processed. We understand that distillers will not be able to get their supplies. So as far as grains are concerned, they will not be immediately affected by the coal strike, except that if it should last much longer it will naturally affect all locomotive power, but in the meantime cars which had been hauling non-essential freight may now be diverted to grain. This was construed bullish because it not only means that the movement to market might be heavier but likewise that shipments fromChicago and from other terminal markets to the seaboard might increase, or even the demands for feeds East of here might improve to such an extent that it will cut heavier into our visible supply stocks.

The general run of news was very optimistic. Generally fair weather and considerable sunshine was reported during the past week in most areas, which was good for drying and harvesting corn, although the government told us that some fields were still too wet, and this was principally in the Ohio Valley, where from 10 to 20% of the crop still remains in the fields. Winter wheat is in very good condition, and even in those areas where there has been alternate freezing and thawing, no damage has been reported yet. We still believe that the condition figure to be published later in the month will be a very high one as compared with other years. As we read the various state reports, it seems almost paradoxical that most of the complaints which are registered are due to too much moisture, and as a result some fields of wheat were showing a poor color, but we believe that this condition is far from general. In the meantime, crops are furnishing excellent grazing throughout most of the southwestern states.

Ordinarily this would all affect new crop futures, but owing to the fact that July wheat is already at such a big discount under old crop months, there seems to be hesitancy in pressing the short side of the market. The fact that parity is higher now than it was when the loan was established last July suggests that next year's loan might be as high, even higher, than the present one. There was another bearish influence, however, on the wheat market: namely, that CCC was willing to accept offers only at 1¢ reduction from yesterday, and apparently their purchasing program is going to be less aggressive from now on. Still the European demand is unsatisfied, and as we look over the record of Australian wheat exports for the year ended June 30th, when only 37 million bu was shipped, which was one of the smallest of record, it shows that demands onNorth America are bound to be great. Receipts are not particularly burdensome, and in the Northwest spot wheat was quoted unchanged to 1¢ higher than yesterday.

Primary receipts of wheat amounted to 1,149,000 bu compared with 412,000 last week, and 1,045,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 282,000 bu.

Wheat did not make a particularly good showing, but as we emphasized earlier the weather continues good, prospects for next season are elegant, and it is now believed possible that CCC purchases may taper off. The coal strike is still unsettled, but it looks as though an agreement might be reached later in the day. Mr. Lewis was supposed to appear in court today to have sentence imposed, but this was delayed, and the presumption is that he now finds one man cannot single-handed oppose public opinion. Nothing in life is lasting unless it can be mutually profitable and agreeable, and very likely a compromise has been reached. The stock market indicated this, and it brought some buying into coarse grains, with the result that corn and oats were reasonably firm. January corn was influenced by a report that there might be export business, also, by buying, presumably for the account of one of the leading elevator concerns.

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CHICAGO, 4 December 5, 1946.

The present generation knows very little about carrying charges in grain for the reason that even before the war we have had various governmental policies of impounding commodities, so that surpluses, if they accumulated, were for government account, and the latter paid storage charges rather thanthe public or the trade, which ofttimes carried grain to be used at some later date. At the present time there is not much wheat or corn going into the loan, nor is there a burdensome supply at terminals. However, there has been a tremendous holding policy on part of producers, although this may change after the turn of the year when tax considerations are less of a factor. Of course, we have also had heavy exports, especially of wheat and flour, and thus there has not been any sizeable surplus to deal with; in fact, inroads were made on accumulated supplies much earlier than usual because ordinarily the export demand only holds up for the first few months of the crop season. The Department of Agriculture late yesterday granted allocations for the exportation of 6 million cwt of flour during January to March, 1947, and ten countries were thus given what virtually amounts to a "hunting license" to obtain supplies in this country. We phrase it in this way advisedly, for the reason that practically all European buyers are going to find it very difficult to accuire more flour owing to the fact that previous business has just about booked mills to capacity.

For this reason the information had very little weight this morning, although the nearby positions were somewhat stronger at the start. Whatever quantities have been allocated to the various countries, including Belgium, The Netherlands, Switzerland, Finland, etc., are in addition to any unshipped balances of flour from the quantities that were bought earlier and which may not yet have left these shores. The Department, however, expects to announce next week the total grain and grain products export program for the first quarter of 1947, covering wheat, corn, oats, and sorghums for all countries. They will likewise announce the flour allocations for any remaining countries for which licenses are required. There has been a little buying of January corn on the assumption that export business has already taken place, or will shortly become possible, and this has strengthened the nearby delivery and brought it back to a premium of nearly 4½¢ over May, while a few days ago the two deliveries were only about 1¢ apart.

With fewer grain-consuming livestock on farms supplies of feed concentrates per animal unit are estimated to be about 5 to 10% larger than last year, and should be the largest on record. Disappearance of feed grains during the current feeding season may be somewhat smaller than the large disappearance of 1945-46, although they very likely will be much above average. As the BAE points out, the combined carryover of corn, oats, and barley in 1947 probably will be substantially larger than in 1946, with corn accounting for much of the increase.

Primary receipts of wheat amounted to 1,339,000 bu, last week was a holiday; a year ago receipts were only 999,000 bu. Kansas City and Minneapolis stocks so far this week show a net decrease of 539,000 bu.

Markets at no time were very weak, although there was some pressure on the deferred deliveries of corn, and possibly unwinding of spreads. In any event the fear that existing stocks might be materially reduced if export business continues on a big scale brought buying into the January delivery, and it is further regarded likely that from now on receipts will become smaller. In fact truck and barge receipts only amounted to about 88,000 bu, indicating that the urgency of marketing surplus grain may have passed its peak. We have talked to one or two farmers from down-state, who believe that there may be sufficient cribs to take care of the balance of the corn, but it is hardly likely that in Iowa this is the case.

After mid-session there seemed to be some buying of wheat in a rather quiet market, by brokers who were presumably lifting hedges against export flour sales. These purchases were mainly for the nearby months, and as a result the July delivery, which was very strong yesterday, lagged somewhat in today's session.

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CHICAGO, 4 December 6, 1946.

It was just a week ago today that we had some rather violent breaks in grain markets, and this was occasioned when Mr.Anderson stated fromWashington that exports of grain, together with wheat purchased or under contract by the Department of Agriculture, and the amounts to be shipped as flour, were sufficient to reach the original goal of 267 million bu for the year ending June 30, 1947. On the following day further price recessions took place, and it was not until the CCC resumed its purchases in the cash market that confidence was restored. On one afternoon they apparently pulled out of the market, which caused a partial demoralization in the cash trade, but immediately resumed operations the following morning, reducing their price 1¢ per bu, and the next day followed with a further decline in their bid, all of which created the impression that their operations would be on a less aggressive scale. Today, however, in just one week after the Secretary's statement, they are paying 1¢ higher premium than yesterday, and thus it is anybody's guess as to what is actually the intention of those in control. In the meantime, despite all handicaps and shortages of transportation, tremendous effort is being made to supply the CCC with cars, and the trade has been placed in a position where it is nothing but a guessing game,--one minute speeches coming out that present purchases suffice, but on the other hand actions seem to speak louder than words.

Despite the fact that there were no new developments in the coal strike, stock market was reasonably strong, and in many quarters it is felt that an early sett lement seems likely. The overwhelming mass of American people is of the opinion that labor problems must receive first consideration when Congress meets. The curbing of the monopoly power of nationwide labor unions is being freely discussed, and the nation is becoming weary of having reconversion impeded by one strike after the other. It is now felt that long-overdue amendments to existing labor laws, which have been blocked by various devices, will probably come up for consideration. The public has become incensed over the fact that one individual could tie up virtually the entire industry of the country. The cowardice induced by fears of reprisals at the polls of many legislators and other public officials are no longer paramount now that the public has shown its "teeth," and even conservative laboring classes have demonstrated their distaste for the complete disrespect for law and democratic institutions. As a matter of fact, too many laboring people are already affected by the coal strike. Railroads have been compelled to slash their payrolls, with many workers furloughed. General Electric and Ford Motor Company have been compelled to take similar action, and it is predicted that 5 million workers will be idle by New Year's if the coal strike is still in progress at that time.

Primary receipts of wheat amounted to 1,387,000 bu compared with 2,641,000 bu last week, and 1,690,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 670,000 bu. We expect a pretty fair-sized decrease in the visible supply on Monday. A year ago it amounted to 7 3/4 million bu.

Markets were in the main firm; it seems the Chicago office of the CCC bought 1 million bu of wheat yesterday, although we understand that they are not currently buying in this market. Very likely their purchases were east of here, and the wheat might even have been of spring variety. In any case, their buying of corn was also substantial, and it means that about 5 million bu has been purchased for export during the current quarter, and this is all lending support to the market. The CCC bought more corn today, and some are of the opinion that purchases are finished for the time being, but nobody can ever be sure. The gossip was that rail permits have been obtained to move 2 3/4 million bu corn from Chicago to the seaboard. Today's receipts were heavy, about 900,000 bu; one-third of this came in by barge. For the time being, at least, it looks to us as though receipts would keep up on a pretty big scale.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 December 9, 1946.

We have given up the idea of having very strong convictions on wheat for the reason that statements coming out of Washington are apparently too confusing for any intelligent person to analyze. About ten days ago, the head of the Department of Agriculture, the man who presumably has all the data and facts before him, claimed that sufficient quantities had been bought or were on order to take care of our export goal, and now comes word from the capital that the administration's export plans have been hopelessly crippled this fall due to strikes in the shipping industry and transportation delays, coupled with the shortage of box cars. Instead of 6 million tons having been shipped during first half of the crop-year that we might do well if we reach 4 million tons due to the recent coal strike, which impeded business during the early part of December. In spite of all these difficulties, and in spite of the fact that purchases had presumably been made in sufficient quantity, we believe that CCC has probably bought as heavily the past six or seven days as at any time during this present crop-movement, yet both government and private experts admit that it will be impossible to ship 8 million tons in the first six months of 1947 without crippling the reconversion program, which is competing for transportation. There was also 53,000 long tons of Canadian flour milled in bond in this country cleared through United States ports during the past five months, Under such conditions, we do not see how anyone could intelligently judge the future, except that in a general way we appreciate that the mills are probably doing everything they possibly can and grinding to capacity, hopeful that they can get their product to the seaboard after it has been processed.

With the Canadian crop reduced to 418.7 million bu, and adding a carryover of 69.8 million bu, total supplies were approximately 488 1/2 million bu on August 1st. For some unknown reason, domestic consumption is calculated to be about 175 million bu, which would be almost as much as at any time, but even this would leave net supplies of 313 million bu, of which only about 72 million bu has been shipped in sixteen weeks of their crop-season. Apparently they, too, are having difficulties in getting the grain into commercial channels. Sometime ago British authorities tried to purchase an additional 40 million bu wheat or flour equivalent in Canada, and were turned down. We understand they are now negotiating in Washington to obtain the much-needed supply of foodstuffs, but have not heard anything definite on that score, although probably more flour will be exported.

In Europe farmers are now busy planting their new winter wheat crops, and good progress has been made. Weather was not unfavorable and generally speaking prices were sufficiently remunerative to assure a full acreage. The main handicap was apparently lack of fertilizers. There is the belief in some quarters that if necessary fertilizers were available, the British zone in Germany could produce 70% of its requirements.

When our market opened this morning, wheat was well supported again, but corn prices were lower, and Chicago receipts, including rail, truck, and barge, totaled about 1,150,000 bu.

The wheat visible decreased 8.7 million bu. Total stocks are 60.8 million bu versus 97.7 million bu last year. Chicago stocks declined 244,000 bu to less than a million bu. Total corn stocks increased 2.3 million but a figure of 17 million bu versus 7.8 million last year.

CCC purchases for the last reporting period of 7 days amounted to 3,718,000 bu, and since September 9th the total amounts to 51.3 million bu. Wheat was the only cereal that was firm right from the start. There was some hesitancy both in corn and in oats, but after midsession there was considerable new buying which came into the deferred months. This was especially true in corn, and it had a very healthy influence on the whole market. Many people reason that settlement of the coal strike will divert some of the gondolas back into normal uses, but at the same time we feel that the corn movement will keep up for several weeks yet. In the meantime, there does not seem to be any new export trade. Trade in wheat was good. The July, despite good moisture, kept pace with May.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 December 10, 1946.

Having raised bumper crops of wheat and corn this season, and also a better-than-average oat crop, it is quite obvious that even with an expanded domestic consumption we could not possibly use all the grain that was harvested. Therefore, of prime importance is the amount that will be exported, and surely with respect to wheat and flour, this is going to be a very large figure, because outside of Canada, there are very few nations in the world that have large surpluses. Even Canada, where ordinarily a crop of 418 million bu would be large, their reserve stock from the previous season was considerably reduced. Furthermore, it must be considered that fifteen years ago, Canada consumed only 100 to 125 million bu, including the quantities fed and for sundry purposes, while at the present time this figure has been increased to about 175 million bu. Furthermore, in days gone by, Canadian wheat was for sale to the whole world, or at least to competitive bidders, but now about 160 million bu is destined for Britain; consequently, the remaining surplus is not very important. We used to be able to figure out pretty well what our exports would be, and as a matter of fact, the bulk of the business was transacted during the first six months of the crop-year. Now if government plans mature, we shall possibly ship more during the latter half of the season than we did in the present period. The trade is further confused, because almost every week some change takes place either by way of fresh allocations or else it is indicated from Washington that shipments may be larger, or as was the case two weeks ago, Mr. Anderson remarked that sufficient quantities had already been purchased. At the present time it is thought possible that we may ship 300 million bu wheat and flour instead of 250 million bu, as earlier forecast, although this will depend also on our ability to get grain to the seaboard.

The Winnipeg Free Press, in discussing wheat pools, fixed prices, and bilateral agreements, states editorially: "The only proper price for wheat is the price the world will pay. The only means the world has of telling the growers how much wheat it wants is by the prices it offers. The only means we have of knowing what price the world will pay is the free market operating through grain exchanges If that means is abolished the farmer will have no way of knowing what his wheat is really worth or how much of it the world wants. If the men behind this scheme succeed in establishing monopolistic control of the marketing of the farmers' wheat, the next step will be to control the acreage. The farmer will be forbidden to grow more than the board thinks it can sell. Unless this movement is checked we will be led step by step to the point where the world's supply of its most important food will depend on the judgment of a few fallible men whose power will be greater than their widsom, and who, sooner or later, will be bound to lead us to disaster."

When our market opened prices were fairly firm, particularly for coarse grains. It is believed possible that new allocations will be granted, at least for corn. This will permit heavy exports during the first quarter of 1947. On the other hand the corn movement is keeping up, and we believe that Iowa is just about starting to market its crop. We heard that some purchases for Chicago had been made in that State, and that likewise industries were supplying themselves from these western sources. If this is the case, possibly January corn is still too high in relation to the deferred months, and certainly the elevators cannot put any corn away and hold it for any protracted period without a carrying charge. This being so, deliveries in January may be fairly heavy, and if we are correct in this assumption, it remains to be seen to what extent exporters will be an offset.

Primary receipts of wheat amounted to 1,833,000 bu compared with 1,717,000 bu last week, and 1,260,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of about 13,000 bu.

Trade in wheat was fair at times, but yet there was one occasion when about 300,000 bu was sold, and the market broke rather rapidly, but later on there were recoveries. Chicago stocks are very small, and this keeps the January delivery firm.

In corn, there was some realizing when the market advanced. There is talk of further export business and very likely allocations will be announced soon. We saw nothing in the pit to indicate that any actual business had been done.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 December 11, 1946

International wheat agreements have never been worth the paper on which they were written for the reason that there was always too much diversity of feeling between the importing and the exporting countries. We recall some years back when a tentative agreement on exports had been reached, but almost before the ink was dry Argentina was shipping more than her share in order to reduce surpluses at home. At the present time there have been proposals for a World Food Bank, which may be described somewhat as an International CCC for the purpose of preventing scarcities on the one hand, and yet having sufficient surpluses to prevent starvation. In theory the idea, of course, is good, and the first suggestion arose at the meeting of the Food and Agricultural Organization of the United Nations when they met last May in Washington. One of the British delegates, a memberof the British Labor Party, was one of the ardent proponents of the plan. However, since that time long term import arrangements have been made between Britain and Canada, Spain and Argentima, as well as between Brazil and Argentina, so that there appears to be less likelihood of any definite agreements being formulated with the importing countries in favor of low prices, while the nations with surpluses are carrying on all kinds of artificial means to keep prices high. A consumer-nation, like Britain, which is the largest single importer of wheat and flour, wants to keep food prices down so that they need not be paid for with too great amounts of manufactured exports.

Of course, for the time being, price itself is not too important a factor, because every European country will want to build up its working stock in order to create reserves toward next year's uncertain harvest. By the same token, after the pitiful situation of last year, with starvation reported in many countries, anyone in charge of food economy will attempt to buy too much rather than too little, particularly at a time when there appears to be more or less world-wide inflation, and when immediate declines are not feared.

Without belittling the need for food on the Continent, we do remember the exaggerations on imports which have been expressed earlier; for example, the Chairman of the International Emergency Council, Mr. Fitzgerald, stated some weeks ago that requests for wheat imports ran as high as 35 million tons in February, while supplies were considerably under that figure. Others have also stressed from time to time world-wide deficits, but when ex-President Hoover started his work as Chairman of the Emergency Food Committee, he announced that claims had been placed much higher than actual needs. Actually many of the figures on requirements were grossly exaggerated; some almost to the extent of about 40%.

Primary receipts of wheat were very light today, and amounted to 891,000 bu compared with 1,149,000 bu last week, and 1,379,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 168,000 bu.

Markets were somewhat hesitant at the start, and there was no particular news except that fresh allocations are expected almost any minute, and it is figured whenever these are announced that corn will be included, and that very likely hedges will be covered in the pit. There has undoubtedly been considerable speculative buying in anticipation of this. However, the movement in Illinois is slowing down. Cash corn basis was 1/2 to 1¢ higher today, but we still find that there is an increasing movement of corn in Iowa, and this year's crop in that State was 662 million bu compared with 508 million bu last year, and a ten-year average of only 472 million bu. Therefore, even with heavy feeding there are bound to be surpluses, and with that in mind runaway markets are not likely.

Wheat was rather strong, and the trouble is that there are no stocks here. In fact, contract grades amount to only 240,000 bu, and this suggests that shorts in the January delivery may find difficulty next month unless there are better receipts from the country.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 December 12, 1946.

In years gone by, when corn crops of this country were smaller, we used to figure that primary receipts averaged 235 to 240 million bu per year, although during the last five years we have raised very large crops, and since 1941 figures show that the primary movement has averaged 305 million bu. In other words, there is more or less relationship between size of the crop and the movement, although, of course, it must be admitted that other factors come into the picture, such as feeding ratios, the number of animals on farms, etc, but in any case we think it is fair to assume that having raised the largest crop this year in the history of the country, receipts will keep up on a rather heavy scale. Figures since 1941 are tabulated below:
(million bushels)

U. S. Corn Crop	Corn Primary Receipts.
1941 - 2,675	258
1942 - 3,131	336
1943 - 3,034	300
1944 - 3,203	257
1945 - 3,018	375
1946 - 3,381	?

Even assuming that our receipts this year will run as high as last year, or a little more, owing to the fact that the crop was big, we still believe that if the government carries through its export program for 100 million bu, it will pretty well drain terminals of supplies which are needed by processors and by others. It is a rather strange phenomenon but yet has been proved by records that ordinarily 85% of the corn crop never leaves the country in which it is grown, and that likewise consumption is just as variable as production, everything depending on the price. Most people figuring that this is the largest crop ever raised, assume that we can spare 100 million bu without much difficulty, and it would seem so except that the amount that is shipped will probably have to come out of our primary movement, and to that extent it means receipts have to keep up and that we shall have to have heavier country selling to terminals than in those years when we do not export. Today, for example, there were again heavy receipts by barge, this figure amounting to about 221,000 bu, and bookings were also reasonably good, although wet weather over the corn belt may impede at least temporarily the movement.

Yesterday, on the advance of both cash and futures, offerings were a little greater, and because of the enormous supplies left in the country, we hardly expect that there can be runaway markets, at least this early in the season. Wheat was quite strong, and this market is being stimulated right along by exports, including heavy flour sales. Reports from the East indicate that PMA may raise their buying prices shortly, and besides this, new allocations may be announced momentarily, including corn, which for the time being would probably mean a withdrawal of hedges from the market. In view of this there seems to have been considerable speculative buying for the last two or three days. An announcement over the radio last night stated that Mr.Anderson, Secretary of Agriculture, had claimed that food prices had probably reached their peak, and while not indicating any drastic declines, apparently sounded a note of caution. This, however, did not seem to have much influence.

The wheat situation is different from anything we have seen in many years. Ordinarily when a large crop is raised cash interests have short hedges in the futures market, but this year there are no big supplies at terminals, and everybody needs cash wheat; even the mills when they make purchases are able to sell flour immediately so that the cash people in most cases are long futures rather than being short. The open interest of 21 million bu, in our opinion, comprises a good many speculative shorts, and apparently from time to time they are covering, thus giving us strength. The demand from Europe seems almost unlimited, and new allocations are expected shortly, but the government announced that they would only be made for the month of January and not for the full quarter of 1947. Apparently more information is needed as to the merit of the applicant, and also further study as to transportation facilities at home. This has caused the delay. Late in the session word came from Minneapolis that cash wheat was 7 to 10¢ higher, and we understand that one of the mills was a good buyer. An eastern news agency said that Mexico would buy 7 million bu of wheat tomorrow.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

MEMBERS:
CHICAGO BOARD OF TRADE
NEW YORK PRODUCE EXCHANGE
NEW YORK COCOA EXCHANGE
NEW YORK COFFEE AND SUGAR EX.
COMMODITY EXCHANGE INC.

UHLMANN GRAIN COMPANY
TELEPHONE HARRISON 6282
141 W. JACKSON BLVD.

MEMBERS:
MINNEAPOLIS CHAMBER OF COMMERCE
WINNIPEG GRAIN EXCHANGE
DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4 December 13, 1946

There was nothing special in the overnight news. While it had been considered possible that an announcement would be forthcoming from Washington on allocations, apparently they were not yet ready for a decision. Likewise PMA did not advise of increased prices, but this was still expected by the trade; therefore, prices ruled rather firm, although there was no particular buying at the opening. It had also been considered likely that the Mexican business would further stimulate prices, and a news item by Dow-Jones intimated that they were to be in the market for the purchase of about 5 million bu wheat. This, however, depended on their ability to get a proper permit from Washington. As we have pointed out in our market letters on various occasions, there has been a great deal of cash wheat sold either to the Commodity Credit Corporation, or to mills, while actual stocks of wheat have been relatively small. The result has been that the elevators have had to buy futures as a hedge, and we would judge that the open interest in the market at this time is pretty largely of that character. There may also be some speculative longs, but we have a feeling that they are rather in the minority, for the reason that it takes a good deal of courage to buy wheat around the $2 level, in view of the fact that we have raised such an enormous crop. We recall last spring that there was a somewhat similar condition surrounding the oat market. Those who sold cash oats had to seek a similar protection until there was movement from the country. Later on when the futures were sold, it was not too easy to find new buyers, and we are wondering whether this will be the case next spring if there is any lull in the wheat demand. Of course, much will depend on the prospects of the next crop, but with July wheat selling at a big discount under May, naturally buyers will be restrained from taking on supplies except as they are actually needed.

Mr. Dodd, Under-Secretary of Agriculture, speaking at San Francisco a few days ago, pointed out that during the last four years we have had almost an unlimited demand, and that the American farmer has produced about one-third more food and fiber than in normal times. This gives some measure of our productive capacity, but by the same token it also brings to mind that some day Europe will recover from the ravages of war, and while it may take two or three years for that to occur before they receive sufficient fertilizers, implements, etc., it should be a reminder to American agriculture that high prices may only be temporary, and that they should face the facts realistically. We doubt whether we shall have a return to the low price level of the early 30's, but we are still mindful of the epitaph recently referred to by the Australian delegate to the FAO Meeting, when he quoted: "Here lies the body of farmer Pete, who starved from growing too much wheat."

Primary receipts of wheat were not too large, and amounted to 1,217,000 bu compared with 1,387,000 bu last week and 1,077,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 570,000 bu. This suggests a pretty fair decrease in the visible supply next Monday, and will compare with a shrinkage last year of 4 1/2 million bu.

While markets were all strong early, there was some profit-taking, and wheat finally had a fair break. The deferred futures of corn were also under pressure, which in turn influenced the oat market, with the exception of the December delivery, which remained rather strong. Good prices are still being paid for cash oats, and the industries are fairly aggressive buyers of corn, which probably means that the nearby months will remain firm.

According to Sanford Evans, in twenty-three weeks of the crop-year, we have shipped about 133 million bu wheat and flour, and the government estimates that by the end of this month, we may have cleared as much as 175 million bu all grain. In Canada they are not doing too good a job, and in eighteen weeks of their crop-year, only about 79 million bu wheat has been cleared.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

[illegible] GRAIN COMPANY

[illegible] JACKSON BLVD.

CHICAGO 4 December 16, [illegible]

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DAILY MARKET LETTER

MEMBERS:
CHICAGO BOARD OF TRADE
NEW YORK PRODUCE EXCHANGE
NEW YORK COCOA EXCHANGE
NEW YORK COFFEE AND SUGAR EX.
COMMODITY EXCHANGE INC.

UHLMANN GRAIN COMPANY
TELEPHONE HARRISON 6282
141 W. JACKSON BLVD.
CHICAGO, 4

MEMBERS:
MINNEAPOLIS CHAMBER OF COMMERCE
WINNIPEG GRAIN EXCHANGE
DULUTH BOARD OF TRADE
KANSAS CITY BOARD OF TRADE
FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

December 16, 1946

Even at the expense of repetition, we feel compelled to call attention to the fact that present high prices for cereals in this country could only be maintained because of the unusually heavy demand from abroad. Naturally with bumper crops our domestic consumption, even though somewhat larger than normal, could not take care of the big surpluses. Therefore, it is well to check occasionally with foreign sources to see how long this demand may keep up, and whether it is really as urgent as some people claim. There are conflicting statements even in a country like England on the world food situation, and these have been prominently featured in the daily press, but probably the debate is exaggerated by both parties, because of the fact that the news from exporting countries is rather conflicting. One party calls attention to a statement by the U.S. government warning farmers that prices of grain and dairy products may soon be much lower, pointing out that under such circumstances there is bound to be a great deal of food for the deficiency countries. Likewise, statements that grain harvests this year are huge, with the largest wheat crop since 1940 and the biggest maize crop in history. On the other hand, Mr. Strachey, Minister of Agriculture, bases his views largely on figures of wheat surpluses and requirements compiled by the Food and Agriculture Organization. Nevertheless, latest reports coming to us are to the effect that there will not be an international CCC, despite arguments put forth by this organization. In any event, FAO suggested some while back that supplies would fall short of needs by about 35%.

Broomhall, in analyzing these statistics, admits that there is apt to be a shortage but feels that it has been overstated, because surpluses were underestimated while importers' needs were overestimated. As he points out there is no definite assurance that we should go into the next crop with a normal carryover of about 235 million bu, and probably has in mind that if prospects for next year are good, we can permit our reserves stocks to sink lower, as was the case last July. However, it must be admitted that most European countries will strive to enlarge wheat acreage for the 1947 harvest, but unfortunately lack of fertilizers is a serious handicap. Russia has been supplying fertilizers to Bulgaria, and although such exports may have a political motive, many other countries will welcome any surplus of nitrates that Russia may have to spare. We have been exporting nitrogen phosphate chemicals from here, and such fertilizers are particularly needed in Germany, where they have always resorted to their use, but many of the plants which formerly manufactured them were bombed during the period of hostilities.

When our market opened this morning, prices were rather firm, especially coarse grains. While the allocations had not yet been announced, it was taken for granted that something might be forthcoming shortly. Ever since the CCC has been in operation they have tended to tie up markets by creating scarcities in one form or another. When the demand was not sufficiently urgent they loaned money to farmers, so that impoundings took pressure from markets, and often created an artificial scarcity. Now that Europe and Asia need our grains, and prices have risen above loan levels, we find that through November 30th only about 18 million bu wheat has been frozen under loan from the 1946 wheat harvest. However, buying and support programs have prevented accumulations at terminals even though bumper crops were harvested.

Wheat primaries were a little larger than last week, and considerably larger than last year. The visible supply when posted showed a decrease of 5 1/4 million bu in wheat. Our stocks are 55.6 million bu, or 37 1/2 million bu smaller than last year. Chicago stocks are now 932,000 bu. An increase in the corn visible of 3.1 million bu to a total of 20.1 million bu, now gives us 11.7 million bu more than last year

In the last half-hour of trade allocations were announced totaling 28 million bu for January. This was construed as disappointing, especially for oats, with only 525,000 bu to be shipped and about 7 1/2 million bu corn, which was also less than expected. Wheat allocations of 17.3 million bu is probably about all that can be handled because of transportation problems. Sorghums will account for 2 3/4 million bu. Firmness in coarse grains, which had been so apparent early, gave way in the last few minutes of trade, and there was considerable selling by disappointed longs.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 December 17, 1946

It is always a healthy situation to have satisfactory farm prices, but on the other hand to hold them artificially high is bound to have its repercussions, and certainly this was proved in the wake of World War I, when for a time various government methods were instituted. For over twenty years, the downward trend in farm mortgage debt was held as a great step forward, but unfortunately this trend has been reversed to quite an extent since January 1, 1946. The total farm mortgage debt was about $80 million higher last July than it was six months earlier. Apparently a large amount of cash is being used to purchase farms, and there has been great encouragement owing to the fact that all farm produce has been bringing such high prices. As a result more people have gone into debt to purchase farms during each of the last four years than during any other years since 1920. Farm land values have more than doubled in fifteen States since the prewar period (1935-39), and they have actually increased 75% or more in eleven States. They have more than doubled in Ohio, Indiana, North and South Carolina, Georgia, Kentucky, Tennessee, Mississippi, Arkansas, Montana, Wyoming, Colorado, New Mexico, Washington, and California. The increases have been less than 50% in the New England States, with one or two exceptions, but, of course, the latter is not really farming country. Present levels of farm land values exceed the 1920 peak in twenty-one States. Thus it can be seen that if we have a natural reaction in agricultural prices, a great number of new land buyers are bound to be hurt, although we presume that reasonably high prices may continue for a period, as the Congress has committed us to a policy of loaning 90% of parity on basic commodities, which as we have just pointed out will continue to do some harm, although it was not intended that this program should work out that way.

The carryover feeling from yesterday was somewhat bearish. When the export allocations had been announced, it disclosed an over-bought pit condition, but we have found even when bullish news, or a bullish crop report is issued which has been discounted in advance, that often sharp breaks take place after the news becomes public. In any case there was further liquidation this morning by disappointed holders, although in corn there appeared to be considerable buying of the January future, which may have been against exports, but on the other hand Northwest interests were rather persistent sellers of the March delivery, and for a time the market hesitated. One thing is certain: namely, that the demand for flour both for Europe and from South America will continue heavy, and there is some talk that the government may require permits to the Americas in order to provide a more equal percentage for Europe. The Agricultural Department is eyeing shipments closely, and may require licenses again as they did earlier, although nothing definite has been proposed yet.

After the close of the market, we shall have a government report giving the production figures for the 1946 crop, as well as revised figures for 1945 production. It is considered likely that the corn acreage will be revised upward, which in turn would mean a larger yield than was earlier anticipated. Two days from now we shall have another federal report, indicating the amount of winter wheat seeded for next summer's harvest, and also condition figures. Formerly they did not give a figure of production for wheat, but in recent years such an estimate was made, and very likely with the fine moisture we have had it will be rather high based on the average outlook.

Primary receipts were small, although Minneapolis was missing. They amounted to 714,000 bu compared with 1,833,000 bu last week and 1,226,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 35,000 bu.

Without any particular pressure the wheat market was rather weak. It is believed now that Mexico did not make any purchases recently, although there have been many rumors that a new and rather unknown seller had contracted to ship some wheat to that country over a period of five months. Under the circumstances Mexico may be a factor again before long, but in the meantime those who bought anticipating this business may have sold out, thus causing some of the recent weakness. Lower prices for wheat were finally reflected in corn and in oats, although the latter markets were rather stubborn early, but finally yielded some ground. Contract stocks of corn in Chicago are 738,000 bu vs. 286,000 bu last week. Oats stocks are 861,000 bu compared with 1,076,000 bu last week.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 December 18, 1946

Retail food prices have risen faster in the past four months than in any comparable period during the thirty-three years in which records have been kept. The price of all foods combined were 87% higher in October, 1946, about fifteen months after the end of World War II, than in October, 1940. However, it should be noted that most of the increase in food prices during the past year has been in items with the least increase in price from 1940-45. So apparently there was an adjustment and consumers were after those items that had remained comparatively cheap. As the Bureau of Agricultural Economics points out, there is some indication that a downward trend in food prices may be expected within 1 1/2 to 2 years after the end of World War II, although probably not as great a decline as occurred after World War I.

In grain there seems to be some hesitancy and buyers are cautious so that even when bullish news is disseminated it does not have the same effect as in other times. The government came out with a rather bullish report last night, cutting the corn crop about 93 million bu from the November estimate, and the forecast for wheat, while still large and a record, showed a reduction of about 14 million bu from the past month. Still prices were very little changed when our market opened this morning, although some of the bearish sentiment which existed yesterday had been dissipated. It is now confirmed that production and harvesting of the largest and best crops of grain on record make the 1946 agricultural year an outstanding one. Record crops have also been reported for rice, potatoes, tobacco, soybeans, cherries, peaches, pears, plums, and truck crops. Therefore, the general food situation for the country continues to be optimistic, although our supplies for domestic consumption are expected to be only about the same during the next few months that they have been during the late fall and winter.

In Europe crops are threshing out more or less in accordance with recent expectations. Unfortunately wet weather during August and September took a rather heavy toll and reduced what otherwise might have been an outstanding harvest. Outside of Russia, the European wheat crop is now estimated at 1,392 million bu compared with 1,096 million bu last year and 1,624 million bu in the five years preceding the outbreak of war. The import needs for all European deficiency countries, including the United Kingdom, are estimated at 560 to 600 million bu. Of course, there will be other buyers of grain, and if transportation makes it possible, we shall ship considerable quantities to the Orient, while India likewise is a factor. We recall these years prior to the war when India was actually exporting grain, despite almost starvation conditions within the country. This past year has resulted in bountiful crops for India and conditions were favorable for seeding wheat in the Northwest so that a better food situation may be expected for 1947. But yet a country that prolific, having a swollen population, may still claim heavy import requirements for some years to come, although the "Grow More Food" campaign has brought 9 million additional acres of land under cultivation and 5 1/2 million acres of cotton and jute have been diverted to food. As Broomhall points out this has meant a considerable increase in food production during the last year or two.

Primary receipts of wheat amounted to 1,177,000 bu compared with 891,000 bu last week and 662,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 276,000 bu.

There were times when wheat was comparatively firm. However, there was considerable publicity in the Southwest on the question of moving a large number of empty cars from the East to the Middle West territory to move grain into export channels. Later in the session, however, when Kansas City and Minneapolis turned so weak, it naturally had a depressing effect here, and we believe there was a fair amount of liquidation. At one time Kansas City December wheat was about 9¢ under Chicago January, which was not so far from a shipping difference.

Cash wheat markets showed a slight tendency toward easing, and we understand that the domestic flour business is rather slow, and almost at low ebb. However, mills are booked ahead anywhere from sixty to ninety days because of the large foreign business. Nevertheless, it is thought likely that with cash houses long futures, they may be on the selling side after the turn of the year if movement from the country picks up.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 December 19, 1946.

Late yesterday President Truman stated that in his opinion the general economic outlook for next year was good, and would continue good unless the Nation were beset by strikes. It was indicated that his economic views would be elaborated upon in three special messages to the Congress shortly after the new session started. This apparently had a moderately bullish influence on the stock market but did not influence grains, for the reason that prices are already very high, and most experts with the Bureau of Agricultural Economics are of the opinion that after the export demand subsides prices will gradually recede. This was further confirmed last evening when Mr. Anderson, our Secretary of Agriculture, told an audience that after next fall's harvest, he expected a lowering of prices, although declared that agriculture is on a sound basis and that the efficient farmer should be able to continue to make a good living. He pointedout that an abnormally large portion of food is going to foreign consumers at the present time but that some of it is being paid for by American loans. Economists, according to Mr.Anderson, believe that eventually these pent-up needs will be satisfied, and then we shall be faced with overproduction and surpluses. The latter statement may have tempered what little bullish enthusiasm there has been, although it is expected that possibly Mexico will be in the market for wheat during the next few days. This, of course, prevents much enthusiasm on the short side for the reason that there are bound to be some hedges covered if any additional export sales go through.

Thus, we are having somewhat of a holiday market, with nobody venturing too far from base. On the other hand, January 10th is the calendar period when often declines take place, although in normal years we expect a fair amount of pressure from Southern Hemisphere, and this is not likely to occur with the small crop that is going to be harvested in Australia and the fact that much of the Argentine wheat has already been contracted for sale to Brazil and to Spain. Nevertheless, farmers in our country are apt to sell on a heavier scale when the new calendar period arrives and income tax problems are no longer the important factor.

After the close of the market today the government will give us a report estimating total winter wheat acreage and the production based on December 1st condition. It will also include a rye acreage figure as well as condition, but no estimate on the final yield. It will, however, include an allowance for the spring-sown acreage. In our opinion the wheat figure should be relatively high due to fine conditions this fall, but likewise it is well reflected already in the price of July wheat, which is selling at such big discounts under earlier months.

Reports from Britain are rather discouraging to those who believe in free enterprise. The Labor Government is preparing to take over the country's railway system, and has also announced new plans to more or less nationalize Britain's farmers. There will be extensive supervision and guaranteed prices for many crops. Likewise the government can take away property from farmers who refuse to abide by official advice on how to grow things. Others may be placed under supervision of the Minister of Agriculture, who would issue directions and if necessary dispossess them of their property. Whether the plan will be this revolutionary following the social and industrial changes promised by the party in power remains to be seen.

Primary receipts of wheat were 1,192,000 bu, or much the same as last week, when they amounted to 1,149,000 bu. Last year, however, they were only 736,000 bu. Kansas City and Minneapolis stocks so far this week show a net decrease of 518,000 bu.

There were periods of weakness but nothing very severe -- possibly some liquidation as the market did not give too good an account of itself, and this was especially true of corn since the government report was posted indicating a reduction of 93 million bu from the November estimate. However, wheat prices were quite firm, and there still is no pressure from cash sources, although there seems to be just a little more wheat moving in various parts of the country. There are only two more days for trading in December oats, and the open interest is still very large. Erratic swings are likely, as a large percentage of both longs and shorts will probably settle in the pit rather than through delivery owing to the fact that the quantity stored here has been moderate.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 December 20, 1946.

Never before in history has such an optimistic report baen handed to the public as that issued by the Department of Agriculture yesterday after the close of our market. The seeded acreage planted to winter wheat was reported at 56,426,000 acres, or an increase of slightly more than 4 million acres over last year, and almost 10 million acres larger than the ten-year average. The condition of the crop as of December 1st was reported at 93% as compared with 82% a year ago and 76% for the ten-year average. This indicates a prospect of 946,-527,000 bu winter wheat, or a crop that is approximately 100 million bu larger than the combined ten-year average outturn of both winter and spring wheat. Looking at it from individual States, Kansas has the possibility of approximately 240 million bu, Oklahoma 81 1/2 million, and Texas 81 million. The condition on December 1st was almost perfect, and, of course, with all the vicissitudes of a growing crop, there is always a possibility that this condition may not be maintained. However, since December 1st conditions have remained favorable, and from all reports received, the unusually favorable surface and subsoil moisture situation is being upheld, particularly in the larger producing areas. The Department of Agriculture in its weekly weather and crop bulletin mentions that rains were very beneficial for winter grains and pastures in western Texas and southern New Mexico, and that the cold wave which brought freezing temperatures extending to the Northwest border of Texas caused no unusual damage.

Despite the fact that this country has been called upon to meet a large demand for export from deficit countries, we are faced with the possibility of accumulating a rather sizeable surplus during 1947-48. Using the government figures of December 1st, and figuring on an average spring wheat crop of around 250 million bu, with the present planted winter wheat acreage, this country now has the possibility of producing 1,200 million bu wheat. While the premiums for cash wheat compared with the May future have been high due partly to demand for cash wheat, box cars, shortage, etc., finally cars will have to be diverted into the grain territory to handle the surplus from the present crop and the movement of the new crop.

According to a further government release the demand for fertilizers is considerably in excess of the supply, although the outturn for American agriculture for the current fiscal year is at near-record levels, and is more than twice the pre-war consumption. The maritime strike cut off imports of Chilean nitrates for several weeks, and present port strikes in Chile are hindering imports. However, while various setbacks have prevented domestic production from reaching the goals originally set for the current year, most of the loss in production will be borne by the export program, and the United States demand should be met.

The spring pig crop report was also issued by the government today, which came as quite a disappointment. The objective estimated earlier by the Agricultural Department was 58 million pigs for next spring. The present forecast indicates 53 million head which is only an increase of 1% over the previous year. The total fall and spring crop of 1946 gives a total production of approximately 83 million head, or about 4% below 1945, and the smallest since 1940. Even though the corn-hog feeding ratio is extremely favorable, the failure to meet the objective of the government will mean somewhat reduced feeding estimates.

It was a foregone conclusion that the wheat estimate yesterday would lead to a lower opening of that market; however, there was some evidence of support, due to export business which had been done overnight, and the market recovered from its early lows, but after these orders had been satisfied the market again sought lower levels. We have been informed that there were some liberal purchases of cash wheat in the Southwest this morning, and while the basis remained relatively firm offerings were in larger volume than has been experienced recently.

It was reported that the CCC purchased 1 million bu of corn yesterday, bringing the total purchases on the current program up to 7 million bu. The country offered corn rather freely with bookings somewhat in excess of 400,000 bu, and lower prices were registered for that cereal. Oats were also under pressure. Tomorrow will be the last trading day in the December futures.

Primary receipts of wheat today totaled 1,478,000 bu compared with 1,217,000 bu last week, and 673,000 bu last year. Kansas City and Minneapolis stocks show a net decrease of 731,000 bu so far this week. When the visible is posted on Monday it will compare with a decrease last year of 3,930,000 bu.

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CHICAGO, 4 December 23, 1946.

Ordinarily at this season of the year, one would start thinking seriously of possible competition from Southern Hemisphere. For this reason January 10th is a calendar date very much respected by the trade for the reason that in so many years declines take place at about that period. It is too early for crop reports in this country to be a factor. True enough, we sometimes have excessive cold with insufficient snow coverage, but on the other hand most people recognize that January is the month for cold weather just as we generally expect the torrid period in July when often this is so important during the development of the corn crop.

We doubt very much whether the competition from either Australia or from the Argentine will be on a scale comparable to prewar years, although the first official estimate of the Argentine production was for a wheat crop of 218 million bu, which is considerably largerthan the small crops of the past two years, although still below average. They never get yields comparable to those in this country, possibly for the reason that they do not have the technique nor the fertilizers although this year with generally favorable weather, and even allowing for some frost damage, the crop turned out reasonably well but is smaller than the normal because of a reduction in acreage. About 42% of the sown area is in the Province of Buenos Aires, 33% in Cordoba. The other Provinces often mentioned, particularly in periods of crop scares are of lesser importance, as one can readily judge by the figures that we have just recited. As a matter of fact, the Province of Santa Fe has only about 11% of the harvested acreage, and LaPampa about 8%, but the total is 16.4 million acres, and is considerably short of average. As a matter of fact, the five-year average prior to the war was about 18.6 million acres. Thus they might have had 25 million bu or so more this year had there been a greater amount of land sown to wheat. However, in a general way, we expect that world acreages will remain large as long as prices are high. The best example is in our own country where we have just received reports on winter wheat sowings, and there is little reason to believe that this will not be followed next spring when the northwestern farmers prepare their land. Fall moisture conditions were good, and thus we may finally have another year of record production if weather and moisture conditions are normal.

We believe, however, that mention should be made of the small acreage seeded to rye. Only 3.5 million acres compared with the ten-year average of 6.2 million acres. It should further be considered that the acreage harvested to grain has been only 54% of the planted acreage during the last ten years, and if this would be followed, it would mean less than 2 million acres that would be harvested next summer. Of course, the December 1st condition was 92% of normal compared with only 77% during the ten-year period, and to that extent it is a partial offset, but it is really quite surprising that farmers have sown so little in view of the fact that cash prices are ruling high.

The visible supply of wheat showed another large decrease, amounting to 5,654,000 bu, leaving total stocks in all positions about 50 million bu, which is 39 1/4 million less than was on hand a year ago. Chicago stocks showed a small shrinkage, and are only 898,000 bu. In corn, there was an increase of 2 million bu, to a total of 22 million bu, so that altogether there is 13 million bu more than we had last year same period. Chicago stocks are close to 5 million bu.

Trade was not very active; it was more or less of a holiday character. However, declines in wheat did not extend far, and there was some buying that may have been against export business. Corn, however, was rather weak. There seems to be a little hesistancy on part of January longs owing to the fact that December oats weakened the last few minutes of trade on Saturday, and apparently it will take a pretty good demand to keep the nearby delivery at a premium.

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CHICAGO, 4 December 24, 1946.

At this Yuletide it is timely that we recall the blessings that have been bestowed upon us during the past year. Starvation conditions in Europe, which were prevalent a year ago have greatly been alleviated through the bountiful crops that have been raised in North America. A record volume of production was realized and crops were harvested under nearly the most favorable conditions that we have ever known. Nature seemed provident not only in giving us beneficial moisture during the period of growth, but killing frosts were withheld until some time in November, so that virtually all the corn reached maturity. T his is something that has hardly ever occurred before in history. The extended growing season improved both yields and quality of most products, and because of the propitious fall, we have again been able to get a record acreage sown to winter wheat, which suggests a crop next summer of 946 million bu, which would be the heaviest of all times. It hardly ever happens that we get both bumper crops and high prices at the same time. To this extent the farmer has been greatly benefited, with the result that whenever there is prosperity emanating from the soil, it means that the entire welfare and standard of the country is raised. Our government has taken advantage of the bountiful crops at home, and despite the tremendous increase in our population, the same being about 30 million persons more than after World War I, still we have been able to affect shipments to Europe and to Asia practically as large as we had at that time. This again indicates the tremendous increase in our productive capacity, for we must not forget that it takes about 1,300 million bu more of all grains annually to take care of this increased population. Therefore, we must never deprecate large crops, even though it sometimes means surpluses which may become burdensome. Experience has shown that during those periods of accumulation, we suffered more from underconsumption and malnutrition than we did from an actual over-abundance. We find that some of our politicians are already referring to the specter of a grain surplus in the years ahead, but we can only repeat that had it not been for this fortunate factor, we probably could not have carried the war to a successful conclusion.

There was not a great deal of news overnight except that word came from Kansas City that the Commodity Credit Corporation would probably support wheat on basis of $1.88 per bu for shipment in May. This was a higher price than the May wheat future was bringing in that market, and it had a rather firming tendency. After all, the main bullish factors in the market are the demand from abroad, and the support from federal agencies. Thus, it was that other grains were also sympathetically affected, and despite some easiness in the stock market we had a moderately higher close.

While to some people the grain problems appear to be infinitely complex, fundamentally it can be stated in a simple question: "Shall we in due course return to the open market or shall we turn to a government monopoly?" These questions have come up dozens of times, not only in this country, but in Canada when the great statesman, Josiah Stamp, took expert evidence on this very point from Dr. James E. Boyle, of Cornell University, who had made a study of the grain trade for the United States government. Dr. Boyle found the futures market system had been in operation in the northern states and a non-futures system in a number of mid-west states. The futures market, because it offered a more efficient and cheaper insurance, yielded the producers the higher return.

WE WISH YOU ALL A VERY MERRY CHRISTMAS.

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December 26, 1946.

Some time ago the Secretary of Agriculture intimated that there was enough wheat bought, including the flour still to be booked, to take care of our European requirements for the year. This caused a wave of selling in markets, with the result that we had quite a decline right after the Thanksgiving Holiday, but since that time markets have recovered pretty well, and in fact, May wheat is about 7¢ higher now than it was at the end of November. However, we believe that government support has been one of the most important factors in bringing about this firmness, and even at the present time they have signified a willingness to pay about $1.88 per bu for wheat next May in the Southwest, which is probably slightly higher than the Kansas City May future. Whether this is all part of a real support program, or whether they want to stay in business and do the exporting we cannot say. We do know, however, that whenever governments think they can function more efficiently than private enterprise, it does not work out that way. For example, in England, many industries are being socialized. The British government thought that it could mine coal more efficiently than private owners. They took over the mines at a time when France and Italy needed the coal badly, figuring that they could obtain the extra amounts needed for export. We find that Britain is mining at the rate of somewhat over 170 million tons per year against about 300 million tons under private ownership. It takes at least 200 million tons to meet the minimum domestic demands. So, not only is there a shortage at home, but there is no surplus to be shipped to the needy countries, which are trying to recover from the from the devastation of war. This all despite the fact that many of the mines have become mechanized. Miners' wages were raised to give them encouragement, but the net result is that there are fewer miners at work and there is less efficiency than before.

When our market opened prices were reasonably firm. There was no particular news over the holiday, but, of course, pressure is lacking, and there is no appreciable amount of selling of corn by the country. Possibly this situation will continue until the holidays are over. Speculators are not pressing the market, but on the other hand it is not easy to get new buying power simply because government buying is anticipated. Thus markets may fluctuate within a somewhat narrow scope at least for the time being. Word comes from Minneapolis that the domestic flour trade is entirely inactive, and there has been a substantial reduction in the volume of export sales, but yet even with slack flour demand most mills have sold far ahead and are still working full time.

Primary receipts of wheat amounted to 1,428,000 bu compared with 1,192,000 bu last week, and 1,163,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 260,000 bu.

After early firmness the weakness was rather striking for the reason that there was no particular news, and certainly not much pressure. However, a good many people are probably of the opinion that if it takes government support all the while to hold us at present levels that some day the buying may give out, but in the meantime, there is certainly no particular trend, and rather difficult, therefore, to make predictions.

Oats were quite strong early, but also gave ground when wheat and corn yielded. Of course, some attention is being paid to the fact that the domestic flour business is very poor, but we think of greater importance is the question of transportation. It seems a little easier to get cars, but yet the situation has not improved greatly. Our exports finally will depend on the amount of grain that can be moved to the seaboard.

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CHICAGO, 4 December 27, 1946

There is not a great deal of grain news, but it is quite apparent that sentiment is a little more bearish on commodities in general, and instead of inflation being discussed we are hearing more of the reverse talk that many farm products are too high and that consumer resistance is going to be more of an influence in the months ahead. It seems that price is the greatest regulator of all, and many housewives who have never gone to college to study economics are nevertheless important factors in determining how much is paid for even the necessities of life. Conversely, when artificial remedies are sought, results are always bad, and we refer again to the fact that five bumper corn crops were dissipated because hogs were kept high, while the ceiling on feeds meant that the farmer had to obtain the price he sought through feeding rather than by marketing his grain.

By the same token we hear from England that while the ending of the coal strike in the United States has removed all immediate fears of a serious interruption in the American grain movement, it is not doubted that rationing will continue in that country. Unfortunately, ever since Britain signed the wheat agreement with Canada they have found it not easy to obtain supplies from other sources, and we believe as time goes on this bilateral agreement will cause jealousy, friction, and trade disturbances not recognized at the start. Negotiations with the United States have been proceeding for several weeks, but still Mr. Strachey has not been able to tell his people that a definite promise of supplies had been secured. The one item that countries often overlook when they negotiate deals for themselves is that other nations can also sign long-term agreements. This was done recently by Argentina granting commitments both to Brazil and Spain, and thus England having hoped to buy a lot of Plate wheat earlier advises that prospects are not at all good, and should our allocations to them fall down, it might still bring dire consequences. As Broomhall points out in his weekly resume, "Our bulk buying policy with all its political reactions and antagonisms is not the success the government had hoped."

Here at home, whenever prices recede a little somebody immediately becomesagitated, and we note that according to some Washington experts it may take half a billion dollars next year to carry on support programs. Today the Secretary of Agriculture ordered an investigation of yesterday's break in butter prices. Mr. Anderson, however, has stated recently that in his opinion farm and food prices have reached, if not passed, their post-war peak, although we believe he is expecting a slow and normal adjustment to lower levels. Hogs were likewise considerably lower, and this gave us early weakness in corn, which also influenced other grains. It is considered likely that CCC has purchased a fair quantity of corn at the Atlantic seaboard, and no doubt their operations will prevent very sharp breaks, although we do not regard this cereal to be in an extremely bearish position owing to the fact that prices are not so far from the loan level. In wheat, there was also buying for cash houses that looked to be the type of hedge buying that we had last week and the week before when export orders were being executed.

Primary receipts of wheat were 1,168,000 bu compared with 1,478-000 bu last week and only 456,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 388,000 bu. We expect a fair decrease in the visible supply again on Monday, and it will compare with last year's shrinkage of 1,810,000 bu.

After mid-session markets rallied and the CCC has apparently raised buying prices, paying as much as $2 per bu in store in Kansas City for January shipment, and prices on a graduating scale downward up until May when they are willing to pay $1.88 per bu. The reason is that government stocks are being reduced, and apparently foreign demands are tremendous, but from Washington advices indicate there will be no increases in the allocations of flour to the United Kingdom during January. Transportation difficulties make it impossible to do much more than was originally planned, and all countries are asking for larger quantities. After covering and buying for various accounts, markets drifted lower, and wheat did not show too good an undertone considering the potential demand. It was reported by a trade agency that the CCC bought 1,800,000 bu corn today, although it is rather difficult to trace these transactions in the pit.

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CHICAGO, 4 Dec. 30, 1946.

The main factor in the grain situation is still the quantity that will be exported from the United States before another crop is harvested. While we admit that many of the figures and statements are exaggerated, the fact that they are revised so often tends to impose larger demands upon North America. For example, the International Emergency Food Council's estimate that the total exportable surplus of bread and coarse grains for the current cereal year would be 25 million tons, while import requirements are actually 35 million tons. This information was recently given by Mr.Strachey in the House of Commons, but the statement was accompanied by proposals that the United States might ship more than 400 million bu, which had been tentatively figured as our surplus. Attention was also called to the fact that Mr.Truman had admitted that up to 550 million bu of various grains could be spared if transportation were available. So, here, again, we find a most important factor, freight, and particularly so after the turn of the year when some of the grain has already moved inward and would require a longer haul to get it to the seaboard. Broomhall in his calculations feels that in view of the fine crop prospects and the amount of wheat on hand, theoretically we could spare 350 million bu wheat, and an additional 200 to 300 million bu corn and oats, but here, too, one must be realistic and admit that no such quantities can physically be handled. Looking elsewhere the Council's estimate is for about 200 to 230 million bu from Canada, and Broomhall and other experts believe that figure is too low, claiming that if 245 million bu were shipped it would still leave about 175 million bu for home requirements, which is undoubtedly enough, although somewhat of a squeeze based on present usage at home. When Argentina is figured in these calculations, a rather low exportable surplus is mentioned, possibly for the reason that farmers may not market all of their wheat at the control price of 17 pesos per quintal.

Past experience has shown that supply and demand is just as important a factor there as elsewhere, and when too little encouragement was given to the producer the whole scheme failed because farmers in the past found it more profitable to feed wheat toanimals and to sell uncontrolled barley and oats on the free market. This lesson not only confined to Argentina but to Canada, Australia, and other countries where prices are fixed, should prove that artificial regulation is an absurdity and will not work out in actual practice.

Rather low temperatures were reported in the Southwest, with very little snow coverage, but this apparently was not regarded as serious, particularly in view of the recent moisture that we have had, and it is generally a fact that less damage occurs when the ground has reserve moisture than when it is dry. Most experts are in agreement that intermittent thawing and freezing is of a more serious character. Therefore, markets responded rather feebly to this news, as well as to reports that last-quarter shipments had practically been made on basis of the quota.

When the visible supply of wheat was posted it disclosed a decrease of about 3 million bu, reducing total stocks to about 47 million bu, which is 40 1/2 million bu less than we had a year ago. Corn increased about 1 1/2 million bu, and we have 13 3/4 million bu more in the visible than last year, but it seems almost impossible to accumulate oats; the shrinkage this week amounted to 1,872,000 bu, so that the total is reduced to 7,838,000 bu, or actually 34 million bu less than we had same period a year ago. Whether this will change after the first of the year remains to be seen, but thus far we have never really had a movement on the crop.

Wheat prices at times were rather firm. There was nothing particular in the cash situation, but the public seems imbued with the idea that commodity prices are finally headed for lower levels. Later in the day we are going to have parity prices made public for the month of December, and many people are guessing that they will be higher than last month. The importance of this is that on basis of the figures next June the wheat loan will again be established.

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CHICAGO, 4 December 31, 1946

Another year has drawn to a close-- one in which food has again played an important role to a hungry world. For the last ten thousand years there has been keen competition by seven foodstuffs for world domination. Neglecting minor competitors, these were: millet, oats, barley, wheat, rye, maize, and rice. But none has succeeded in displacing the other. The sense of taste, being closely dependent upon climate and soil, can hardly be changed by outside influences. "Where the rice pot boils, no bread is eaten," says an old Oriental proverb. Actually the Chinese language has the same phrase for both food and rice. The two are synonymous. A middle-class Japanese, unaccustomed to bread, will not accept the finest variety of wheat, just as aRoman would have rejected rye. Before the coming of the white man to America, corn supported the population of this continent.

We now regard wheat as the staff of life, but let us look back a little. According to H. E. Jacob, writing for CIBA SYMPOSIA, "In the last third of the 18th century wheat was still very little grown in the United States and Canada. George Washington, the farmer, did grow wheat, but rather as his private hobby, and as a treat for his guests; his own principal food was maize. Mrs. John Adams, wife of the second president, did not mention wheat at all when, in 1780, she related the rise in prices; which all adds up to the fact that wheat was not a popular food. But when about the middle of the 19th century Europe with its enormously increased industrial population and its lack of land and farmhands called for wheat and, in addition, England abolished her tariffs on agricultural products, America became the great wheat producer of the world.

"America became a bread producer-- how simple it sounds. But, in fact, Europe's decision to acquire its food from American crops caused a genuine revolution in our economic life. It was wheat that created cities and made them big. In 1815, Chicago had been a little village which the Indians called 'Wild Onion Place.' But when in 1847 Cyrus McCormick, the inventor of the 'mechanical reaper,' visited that former village, its inhabitantshad grasped that they had to stake their fortune upon wheat. The wheat of the Middle West flowed into their city's granaries. The wheat called for railways. From 1840 until the end of the eighties the railway network of the United States multiplied from roughly 2,800 miles to 180,000 miles. 'Build railways! -- Grow wheat!' were slogans heard and read for decades, and they supplemented each other. The wheat grew into mountains, the mountains ran into freight cars, and the cars spewed their contents into the big steamers that were bound for Europe. Every town touched by the stream of wheat became covered with gold; many average communities turned into cities of millions and millionaires.

"Canada, too, became rich by growing wheat and selling it to Europe. That was strange enough, for up to the end of the 19th century, the soil of Canada proved too cold for the growth of wheat. It was only a short time ago that Canada, the land of wood cutters, fur trappers, and fishermen changed into a wheat country, thanks to a Czech naturalist, the priest, Gregor Mendel, and to his Canadian follower, Charles Saunders. Mendel had developed the idea that desirable characteristics in plants could be transmitted. Now a variety of wheat was found whose seeds could survive the Canadian winter."

Early indications point to another bumper wheat crop in 1947.

WE WISH YOU ALL A HAPPY NEW YEAR.

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